CHANGES AND CESSATION PROCEDURE

1. Introduction

ICE Benchmark Administration Limited (IBA) is the administrator for a variety of systemically important benchmarks, including ICE LIBOR® (LIBOR®), precious metals, rates and term reference rates.

This Changes and Cessation Procedure is published by IBA in compliance with Article 28 of the UK Benchmarks Regulation (BMR) which requires a benchmark administrator to publish, together with the Benchmark Statement required under Article 27 of the BMR, a procedure concerning the actions to be taken by the administrator in the event of changes to or the cessation of a benchmark which may be used in the UK.

This Changes and Cessation Procedure is specific to ICE LIBOR. Paragraphs 4 to 10 set out the steps that IBA would take in the event of a change to or cessation of ICE LIBOR.

Paragraph 3 provides background to the steps IBA has taken to date with respect to the cessation of LIBOR and links to the announcements made by IBA and the UK Financial Conduct Authority (FCA) in relation to the cessation of LIBOR.

Equivalent Procedures are available for all benchmarks administered by IBA.

2. BMR requirements

Article 28(1) of the BMR requires a "procedure concerning the actions to be taken by the administrator in the event of changes to or the cessation of a benchmark which may be used in the Union in accordance with Article 29(1)".

Article 29(1) states that:

"A supervised entity may use a benchmark or a combination of benchmarks in the Union if the benchmark is provided by an administrator located in the Union and included in the register referred to in Article 36 or is a benchmark which is included in the register referred to in Article 36."

3. Background to LIBOR

In July 2017, the FCA announced its intention that it would no longer be necessary to persuade, or compel, banks to submit to LIBOR after December 31, 2021. The FCA and other official sector bodies have made several further statements regarding the need for market participants to prepare to transition from LIBOR to alternative rates by December 31, 2021.

Since July 2017, IBA has engaged with end-users, panel banks, the FCA and other official sector bodies regarding the potential for continuing certain widely-used LIBOR settings after December 31, 2021. This has included surveys of banks and end-users of LIBOR to identify the LIBOR settings that are most widely-used and for which users would like to see IBA work to seek an agreement with globally active banks to support publication after year-end 2021. The focus of this engagement has been on seeking to support transition by providing support for users with outstanding LIBOR-linked contracts that are impossible or impractical to modify before year-end 2021 (so-called "tough legacy" contracts).

IBA has been clear throughout its engagement that any such settings would need to be compliant with relevant regulations and in particular those regarding representativeness. IBA was also clear that, notwithstanding the results of the surveys and IBA's associated engagement with the banks, there was no guarantee that any LIBOR settings would continue to be published after year-end 2021, and that users of LIBOR should not rely on the continued publication of any LIBOR settings when developing transition or fallback plans.

On December 4, 2020, following discussions with the Financial Conduct Authority (FCA) and other official sector bodies, and in accordance with procedures adopted pursuant to the UK Benchmarks Regulation (BMR), IBA published a consultation on its intention to cease the publication of:

1. the following LIBOR settings immediately following the LIBOR publication on Friday, December 31, 2021:
    - GBP LIBOR - all settings (overnight, 1 week, 1, 2, 3, 6 and 12 months);
    - EUR LIBOR - all settings (overnight, 1 week, 1, 2, 3, 6 and 12 months);
    - CHF LIBOR - all settings (spot next, 1 week, 1, 2, 3, 6 and 12 months);
    - JPY LIBOR - all settings (spot next, 1 week, 1, 2, 3, 6 and 12 months);
    - USD LIBOR - 1 week and 2 months settings; and
2. the following LIBOR settings immediately following the LIBOR publication on Friday, June 30, 2023:
    - USD LIBOR - overnight and 1, 3, 6 and 12 months settings.

IBA consulted on these intended cessation dates because a majority of LIBOR panel banks had communicated to IBA that they would not be willing to continue contributing to the relevant LIBOR settings after such dates. As a result, IBA considered that it would be unable to publish the relevant LIBOR settings on a representative basis after such dates.

On March 5, 2021, IBA published a feedback statement for the consultation on its intention to cease the publication of LIBOR® settings. IBA received a broad of range of feedback from multiple stakeholders, both on the dates specified above and on the LIBOR transition process generally, including on matters beyond IBA's remit as administrator of LIBOR.

As announced by IBA on March 5, 2021, in the absence of sufficient panel bank support and without the intervention of the FCA to compel continued panel bank contributions to LIBOR, it is not possible for IBA to publish the relevant LIBOR settings on a representative basis beyond the dates specified above for such settings. As a result of IBA not having access to input data necessary to calculate LIBOR settings on a representative basis beyond the dates specified above for such settings, IBA has to cease the publication of the relevant LIBOR settings on such dates, unless the FCA exercises its proposed new powers (which are included in the Financial Services Act 2021 as amendments to the UK Benchmarks Regulation - see the section entitled *New FCA Powers to Impose Changes to LIBOR*) to require IBA to continue publishing such LIBOR settings using a changed methodology (also known as a "synthetic" basis).

Although the FCA has said that, in directing a methodology change, it will seek to achieve a reasonable and fair approximation of a benchmark's expected values, it has acknowledged that LIBOR settings published on such a changed, "synthetic" basis will no longer be representative of the underlying market and economic reality that the benchmark is intended to measure.

The FCA has advised IBA that it has no intention of using its proposed new powers to require IBA to continue the publication of any EUR or CHF LIBOR settings, or the Overnight/Spot Next, 1 Week, 2 Month and 12 Month LIBOR settings in any other currency, beyond the above intended cessation dates for such settings. The FCA has also advised IBA that it will consult on using these proposed new powers to require IBA to continue the publication on a "synthetic" basis of the 1 Month, 3 Month and 6 Month GBP and JPY LIBOR settings beyond such dates, and will continue to consider the case for using these proposed powers in respect of the 1 Month, 3 Month and 6 Month USD LIBOR settings.

The FCA has confirmed to IBA, based on undertakings received from the panel banks, that it does not expect that any LIBOR settings will become unrepresentative before the above intended cessation dates for such settings.

Stakeholders who are interested as to statements relating to the cessation or unrepresentativeness of LIBOR for the purpose of contractual triggers for fallback rate arrangements should see the FCA statement issued on March 5, 2021.

4. Changes to LIBOR

If IBA proposes to make changes to LIBOR, IBA's Consultation Policy is followed.

5. Approach to cessation

IBA's approach to handling cessations of some or all LIBOR settings varies according to whether:

- IBA decided not to seek to publish some or all LIBOR settings after a specified date; or
- IBA is not able to continue to produce the benchmark in a reliable fashion that represents the economic reality that the benchmark is intended to measure. In accordance with Article 11(1)(a) of the BMR, the provision of a benchmark is governed by the requirement that the input data be sufficient to represent accurately and reliably the market or economic reality that the benchmark is intended to measure.

6. Voluntary discontinuation

IBA would inform the FCA as soon as a decision to cease publishing some or all LIBOR settings was being considered. IBA would then engage actively with the FCA and the relevant central bank(s) throughout the process.

IBA would announce the intended discontinuation as soon as possible and would give market participants at least one year's notice of an intention voluntarily to cease publishing any LIBOR settings.

If other benchmark administrator(s) expressed an interest in publishing LIBOR settings that IBA was no longer seeking to publish, IBA would be prepared in principle to work with such administrators to help to facilitate the transition for market participants. Such facilitation might include any or all of the following: help with setting project and transition timelines; participation of IBA staff in meetings with contributors or users to explain the handover; and/or sharing relevant regulatory policies or procedures produced by IBA. IBA would also communicate directly with LIBOR licence holders to ensure they are aware of the change in administrator.

7. Inability to produce representative settings

As stated above, LIBOR settings need to be compliant with relevant regulations and in particular those relating to representativeness.

As set out in Article 11(4) of the BMR:

"Where an administrator considers that the input data does not represent the market or economic reality that a benchmark is intended to measure, that administrator shall, within a reasonable time period, either change the input data, the contributors or the methodology in order to ensure that the input data does represent such market or economic reality, or else cease to provide that benchmark."

The FCA would be informed immediately if IBA suspected that certain or all LIBOR settings would become unrepresentative owing to, for example, reduced input data on a continuing basis or a fundamental change in the underlying interest that the benchmark seeks to measure, or any other circumstance where IBA could not continue to publish LIBOR.

IBA would share with the FCA the results of any representativeness testing. Once any such testing had been verified, IBA would share the information as appropriate with other relevant regulatory bodies, central banks and/or the LIBOR Oversight Committee to seek to ascertain whether the situation would be likely to be of a short term nature or more irreversible.

Regarding reduced input data, IBA has policies and procedures that are designed to address periods when input data is reduced for short periods. IBA's Reduced Submissions Policy for LIBOR is published on the website.

If the situation is likely to be of a longer term nature, IBA would follow the steps outlined below.

8. Cessation steps

Details of any proposed cessation of ICE LIBOR would be reviewed and agreed with the LIBOR Oversight Committee which would have an important role in monitoring the execution of the plan.

Key factors to be considered are:

- The timing of the cessation, including how much notice should be given;
- Whether any transitional or mitigating measures could or should be implemented; and
- Stakeholder engagement.

9. Timings and notice

The timing would take into consideration the relevant factors in the prevailing circumstances:

- The urgency, if any, of ceasing the benchmark;
- The amount of notice that should be given to stakeholders to allow them to take a number of actions: to identify alternative arrangements; to put such alternatives in place; to ensure that contractual documentation is amended as necessary;
- The timing of any transitional or mitigating measures;
- The extent of any likely IT or process issues;

- Whether there are any important dates or milestones in the near future (for example, expiries of financial instruments referencing the benchmark); and
- Whether there are any regulatory, legal or other provisions that might affect the timing.

10. Engaging with external stakeholders

If cessation of some or all of the LIBOR settings were under consideration, IBA's Consultation Policy would apply.

As stated above, the LIBOR Oversight Committee would have an important role in agreeing the cessation plan and monitoring IBA's execution of the plan.

IBA would also engage with other relevant stakeholders, including:

- Users of the benchmark – directly (for example, by email to registered licensees and by conference calls where appropriate), through any relevant association(s) and/or through paid advertisements;
- Contributors, if any, associated with the benchmark;
- Redistributors of the benchmark; and
- The media.

IBA would also include relevant information and relevant contact details on its website.

11. Regulatory action

It should also be noted that circumstances in which the FCA might exercise one of its supervisory powers could include:

- If the FCA assessed that one or more LIBOR panels had shrunk so significantly, in terms of the number of banks or the market share of the banks remaining, that the FCA no longer considered the relevant rate capable of being representative, or
- If IBA wished to cease publishing LIBOR rates and the FCA decided, pursuant to Article 21 (Mandatory administration of a critical benchmark) of the BMR, to require IBA to continue to administer the LIBOR rates for up to 10 years.

12. Review

This Changes and Cessation Procedure is subject to review at least annually by the LIBOR Oversight Committee.

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