

ERROR POLICY

1. Introduction

ICE Benchmark Administration Limited (IBA) became the Administrator for ICE LIBOR® (LIBOR®) in February 2014 and has strengthened its integrity through enhanced governance and surveillance. As part of its continuing work, IBA is committed both to minimising the risk of inaccuracies in the publication of LIBOR and to providing transparency to stakeholders about any errors in calculating the rate.

Banks are continually enhancing their procedures and controls but IBA is realistic in recognising that errors may still occur from time to time. This Policy sets out IBA's approach to handling errors identified subsequent to the publication of LIBOR rates.

2. Correcting a published a corrected rate

A number of operational implications arise from an error policy, including the following if IBA publishes a corrected rate (a "refix"):

- Market participants will be exposed to basis risk if their hedging of a contract referencing LIBOR is valued at the refix rate;
- Contingent transactions and option exercises may be automatically triggered as a consequence of a refix without either party necessarily anticipating or wanting the resulting transaction; and
- Significant time and effort may be expended in amending downstream transactions if the refix values are used.

3. Considerations

Many considerations are associated with an error policy for LIBOR, including:

- Promoting and maintaining the integrity and transparency of LIBOR;
- Achieving an accurate and reliable representation of the underlying interest;
- Complying with international best practice standards and regulation;
- Acknowledging the operational impacts on users of LIBOR; and
- Safeguarding contractual integrity.

Because of these considerations, IBA has put in place the following:

- A threshold for materiality of errors;
- A cut-off time for reporting an error to IBA for any refix; and
- Transparency for errors discovered after the cut-off time.

4. **Cut-off time for refix**

The reasons for errors have included technical issues at LIBOR panel banks (referred to hereafter in this policy as contributor banks), misallocation by banks of supporting transactions and booking a trade in the wrong currency. Errors are usually discovered during post-submission compliance checks on the day of submission but may not be found until a later occasion.

An error must be reported to IBA by 15.00 London time on the day of the error for a refix to be considered.

Mindful of the operational impacts that a refix is likely to have on users, IBA will, if a refix is under consideration on any day:

- Make an announcement at <https://www.theice.com/iba/market-status> by shortly after 15.00 London time that a refix is under consideration, stating the affected currency and tenor; and
- Any refixed rates will be published by IBA by no later than 16.00 that day. IBA has a materiality threshold for a refix of 3 bps of the published LIBOR rate.

IBA confirms that, if a refix is carried out, it will be a re-fixing of the LIBOR rate "as of 11.00 am".

5. **Transparency of later or smaller errors**

Some errors may be identified after the cut-off time for a refix – possibly weeks or months later – for example, during the course of an audit.

LIBOR contributor banks must report to IBA any error which affects the LIBOR rate submitted by the contributor.

IBA publishes on a quarterly basis the incidence of errors. This includes errors that did not lead to a refix, either because the error came to light after the cut-off time or because the error was smaller than IBA's materiality threshold of 3 bps. The error report is attached.

Any determination of LIBOR which is changed following a complaint will be notified in the quarterly publication of errors since it is unlikely that a considered response to a complaint would fall within the time parameters identified above for refixing.

Where a bank has frequent errors, IBA will report the matter to the LIBOR Oversight Committee and the FCA.

6. **Policy review**

This Policy is produced by IBA in consultation with the LIBOR Oversight Committee and is subject to periodic review.

May 2021

REPORTED ERRORS

The incidence of errors reported to IBA from 1 February 2014 to 31 March 2018 are published here: https://www.theice.com/publicdocs/Reported_Errors_Pre_Waterfall_Methodology.pdf

From 01 April 2018 to 31 March 2019, IBA did not publish error reports because of the transition to the [Waterfall Methodology](#).

The following table records the incidence of errors reported since 01 April 2019 which impacted the LIBOR calculation:

Month	No. of Impacting Items*	No. of Panel Banks	Smallest Impact	Greatest Impact (bps)	No. of Refix Applicable
Apr-19	20	7	0.001bps	0.7	-
May-19	13	7	0.0125bps	0.65	-
Jun-19	22 ¹	6 ¹	0.0125bps	0.8375 ¹	-
Jul-19	11	5 ³	0.01429bps	0.55	-
Aug-19	13	7 ³	0.0125bps	0.6625	-
Sep-19	13	7 ³	0.012bps	1.1375	-
Oct-19	22	5	0.0125bps	1.475	-
Nov-19	32	6	0.0125bps	0.625	-
Dec-19	24	9	0.0125bps	0.5125	-
Jan-20	11	7	0.0125bps	1.0875	-
Feb-20	13 ¹	8 ¹	0.0125bps	0.5875 ¹	-
Mar-20	35 ¹	15 ¹	0.0125bps	4.5875 ²	-
Apr-20	12	7	0.0125bps	0.6625	-
May-20	11	5	0.0125bps	1.4375	-
Jun-20	8	7	0.0125bps	1.0	-
Jul-20	10	6	0.0125bps	1.8	-
Aug-20	8	6	0.0125bps	0.8625	-
Sep-20	10 ¹	9 ¹	0.0125bps	0.3	-
Oct-20	15	6	0.0125bps	0.7375	-
Nov-20	6	3	0.0125bps	0.16667	-
Dec-20	5	2	0.0125bps	0.27143	-
Jan-21	8	4	0.0125bps	0.1625	-
Feb-21	2	2	0.03333bps	0.05	-
Mar-21	5	4	0.0125bps	0.275	-
Apr-21	7	4	0.0125bps	0.5125	-
May-21	9	4	0.0125bps	0.175	-
Jun-21	10	4	0.0125bps	0.25714	-

*An Impacting Item refers to an underlying event or issue which impacts one or multiple submissions from a Panel Bank.

¹ Data updated to include additional impacting items subsequently reported to IBA.

² This error did not lead to a republication (refix) of LIBOR as the notification was after the cut-off time.

³ Corrected data