

FEEDBACK STATEMENT ON ERROR POLICY CONSULTATION

Introduction

ICE Benchmark Administration Limited (“IBA”) issued a consultation paper on 1 August 2014 and asked for responses by 19 September.

We are grateful for the 45 completed questionnaires received in response to the consultation.

The consultation paper asked four questions as set out below and included a free-text box for any additional comments.

In the summary of responses below, it should be noted that the majority of the 45 respondents did not reply to all of the questions.

Cut-off time for intraday refix

The reasons for errors have included technical issues at panel 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.

The Consultation Questionnaire stated that IBA’s interim refix policy has a cut-off time of 15.00 London time for reporting an error to IBA for an intraday refix. Respondents were invited to give their views on such cut-off time and most favoured a continuation of the interim policy.

Question 1 concerned the intra-day refix time and asked for respondents’ earliest, latest and preferred cut-off times. The key feedback was that:

- Six of 36 respondents would prefer a cut-off time before 14.00 London time
- 19 of the 36 preferred a 15.00 cut-off time.

Accordingly, an error must be reported to IBA by 15.00 London time for an intraday fix to be considered.

Threshold for materiality of errors

Question 2 was about the materiality threshold of the published LIBOR rate.

In response to this question:

- The range of responses was from 0.01 basis points (“bps”) to 50 bps
- 13 of the 24 respondents were satisfied with the interim threshold of 3 basis points, and

- 5 of 14 respondents suggested the maximum threshold should sit at 3bp.

The materiality has been set at the consensus of 3 bps.

Notice period for changes in the threshold

The consultation paper commented that IBA would need to review the thresholds periodically to accommodate different rate environments, and asked what notice period would be needed for changes.

Here the range was from less than 2 weeks to 12 months. Five of 17 respondents to this question wanted a notice period of 3 months and 8 of the respondents only sought 1 month.

IBA will give a notice period of at least 3 months unless a change in a shorter timeframe is required as a matter of urgency or is mandated by law or regulation.

Calculation of ICE LIBOR to 5 decimal places

ICE LIBOR is calculated to 5 decimal places. It is recognised that the impact of errors could be minimised by calculating LIBOR to fewer decimal places.

The consultation paper welcomed views on the respective advantages and disadvantages of changing the number of decimal places.

This question yielded the highest number of responses. Some respondents expressed a preference for 3 decimal places but the consensus was to continue to publish ICE LIBOR to 5 decimal places – this was the preference of 25 of the 38 respondents.

No change is proposed to the current calculation of ICE LIBOR to 5 decimal places.

Transparency of later or smaller errors

The consultation paper commented that, since some errors may be identified after the cut-off time for an intraday refix, IBA intended to publish on a quarterly basis the incidence of errors. This would include errors that did not lead to an intraday refix, either because the error came to light after the cut-off time for the relevant day or because the error was smaller than the materiality threshold. The absolute change in published ICE LIBOR would be stated but not the direction of change.

The following errors have been brought to IBA's attention since the consultation paper was published on 1 August 2014:

#	Date	Error by	Absolute change in published ICE LIBOR
1	14.10.14	Panel bank	0.00143%
2	20.10.14	Panel bank	0.00038%

The above errors were in different currencies and tenors.

Additional comments

IBA confirms that, if a refix is carried out, it will be a re-fixing of the LIBOR rate "as of 11.00 am" to ensure that the refixed LIBOR would be the rate referenced under existing market standard documentation in the loan market.

IBA's Error Policy

IBA's confirmed Error Policy is attached to this feedback statement.
