

## ICE LIBOR® - Feedback Statement on Consultation on Potential Cessation - List of non-confidential responses

ICE Benchmark Administration Limited (IBA) published a [consultation](#) on December 4, 2020, on its intention to cease publication of ICE LIBOR® settings.

In the consultation paper, IBA said that it would publish the comments received unless confidentiality was requested by the originator of the comments.

The following is a list of the non-confidential respondents. For data privacy reasons, the names of individuals are redacted.

BNP  
Capital One Financial Corporation \*  
Citizens Financial Group, Inc. \*  
Clarus FT  
CME  
Discover Financial Services \*  
DV Trading  
Fifth Third Bancorp \*  
Intesa  
ISDA  
KeyCorp \*  
M&T Bank Corporation \*  
MUFG Union Bank, N.A. \*  
PNC Bank, National Association \*  
Regions Financial Corporation \*  
SIFMA, AFME, ASIFMA  
SOFR Academy \*\*  
Structured Finance Association  
Truist Financial Corporation \*  
U.S. Bancorp \*  
Zürcher Kantonalbank (ZKB)

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\* Part of consolidated US-Based Regional Bank response

\*\* Respondent was added post publication of the Feedback Statement

## BNP PARIBAS answers to the ICE BA public consultation on ICE LIBOR cessation

*We understand the proposal of ICE BA to cease the publication of LIBOR settings according to the timeline described in the consultation, and are supportive of it to the extent that:*

- *It provides clarity and certainty to the market on the planned cessation dates for each and every LIBOR setting*
- *For USD LIBOR in particular*

*It will allow USD LIBOR indexed contracts ending on or before 30 June 2023 to mature without having to be transitioned, which reduces transition related risks and workload*

*It leaves more time to manage the transition of legacy USD LIBOR indexed contracts maturing after 30 June 2023, be it for those that will be deemed 'tough legacy' and require a legislative solution to transition away from USD LIBOR, or for those that will need renegotiating*

*We also would like to point out the fact that particular actions will be required or guarantees given in order for the proposed of LIBORs cessations planning to allow for an orderly transition, in which consumers and the integrity of markets are protected:*

- *Guarantee on the fact that LIBOR settings will indeed remain representative until their cessation, e.g. in the case of USD LIBOR, is there a guarantee that no panel bank will exit the panel between 1 Jan 2022 and 30 June 2023? Or else, could this cause USD LIBOR to be deemed non representative with potential impacts on capital charges and financial products valuation ?*
- *Action to provide certainty on how the cessation of ICE Swap Rates (which are currently linked to LIBORs) will be managed in relation to that of LIBORs*
- *The issues and question the new planning raises for undrawn multi-currency RCFs should be raised with the relevant public sector authorities:*
  - a. For multi-currency facilities that expire prior to 30 June 2023, and that if drawn, are likely to be drawn in USD (LIBOR) and/or EUR (EURIBOR) – as it would be impractical and costly to repaper those in order to amend their references to GBP and/or CHF and/or JPY LIBORs, while they are extremely unlikely to ever be drawn at these rates prior their expiry 30 June 2023.*
  - b. For multi-currency facilities that expire after 30 June 2023 , and that if drawn, are likely to be drawn in USD (LIBOR) and/or EUR (EURIBOR) – as it would be impractical and costly to repaper those in order to amend their references to GBP LIBOR, while they could instead be deemed*

**Clarus Financial Technology** welcomes the opportunity to respond to the ICE Benchmark Administration (IBA) consultation about “*ICE LIBOR Potential Cessation*” of December 2020.

## Introduction

We provide content, data and analytics for the post-regulatory reform world of global derivatives. Clarus’ tools create a window into the data now available in swap data repositories, central clearing counterparties (CCPs) and trading venues. These tools help to clarify and unify the vast, diverse information produced as a result of regulatory changes in derivatives markets. This is done using the free publicly available trade information from multiple sources and creating a cohesive database for users to interrogate with our custom interface.

The new legislative landscape for financial markets is intended to provide a much more transparent environment for companies to access trade information vital to their trading and hedging requirements. The derivatives market was previously seen as opaque and trade pricing was obfuscated. We work with market participants to enable them to take advantage of the greater transparency of price and volume data for all derivative products to facilitate improved price discovery and risk mitigation.

The core principles underpinning regulation such as EMIR in Europe and Dodd Frank in the US are the same: greater transparency, mitigation of systemic risk and protection against market abuse. Any proposed rules that threaten those three pillars are of concern to us.

We have witnessed the benefits that post-crisis reforms have brought to markets; resiliency, transparency and scalability. Never have these benefits been better tested than during the recent stressed market conditions of March 2020. Derivatives markets proved resilient, and even flourished, under these conditions. This volatility also acted as a good test of RFR markets. During this period, RFR markets proved resilient with no decline in activity. This is a good sign for RFR liquidity in the future.

Addressing LIBOR cessation and the intention of IBA to provide certainty over cessation date, Clarus take the opportunity to present out data regarding RFR and LIBOR trading. The data shows that:

- Market participants are successfully transitioning out of GBP LIBOR derivatives products into SONIA.
- USD SOFR markets have successfully demonstrated that they are able to scale-up to meet significant risk management demands.
- The amounts of RFR risk in both JPY and CHF markets has increased during 2020 but at slow rates.

Certainty over the cessation dates of LIBOR can act as a catalyst to further transition trading in derivatives products out of LIBOR and into RFRs. We therefore support the IBA intention to provide certainty over when LIBOR will cease to publish.

## Consultation Question

IBA requests feedback from stakeholders on its intention to cease publication:

after the publication of LIBOR on Friday December 31, 2021, of the following LIBOR settings (as calculated under the current Waterfall Methodology based on panel bank submissions):

- EUR LIBOR - all tenors (Overnight, 1 Week, 1, 2, 3, 6 and 12 Months);
- CHF LIBOR - all tenors (Spot next, 1 Week, 1, 2, 3, 6 and 12 Months);
- JPY LIBOR - all tenors (Spot next, 1 Week, 1, 2, 3, 6 and 12 Months);
- GBP LIBOR - all tenors (Overnight, 1 Week, 1, 2, 3, 6 and 12 Months); and
- USD LIBOR - 1 Week and 2 Months; and

after the publication of LIBOR on Friday June 30, 2023, of the following LIBOR settings (as calculated under the current Waterfall Methodology based on panel bank submissions):

- USD LIBOR - Overnight and 1, 3, 6 and 12 Months,

subject to any rights of the FCA to compel IBA to continue publication.

## ClarusFT Response

The ISDA-Clarus [RFR Adoption Indicator](#) is produced by Clarus and published in conjunction with ISDA. The indicator tracks how much global trading activity (as measured by DV01) is conducted in cleared over-the-counter and exchange-traded interest rate derivatives (IRD) that reference the identified risk-free rates (RFRs) in six major currencies. It covers all the LIBOR currencies, plus AUD.

Clarus are therefore well placed to analyse the transition efforts in derivative markets to date. This data forms an important input to the overall picture of LIBOR cessation, particularly as it is often assumed that derivative markets will “lead the way” in transitioning traded products out of LIBOR and into RFR products.

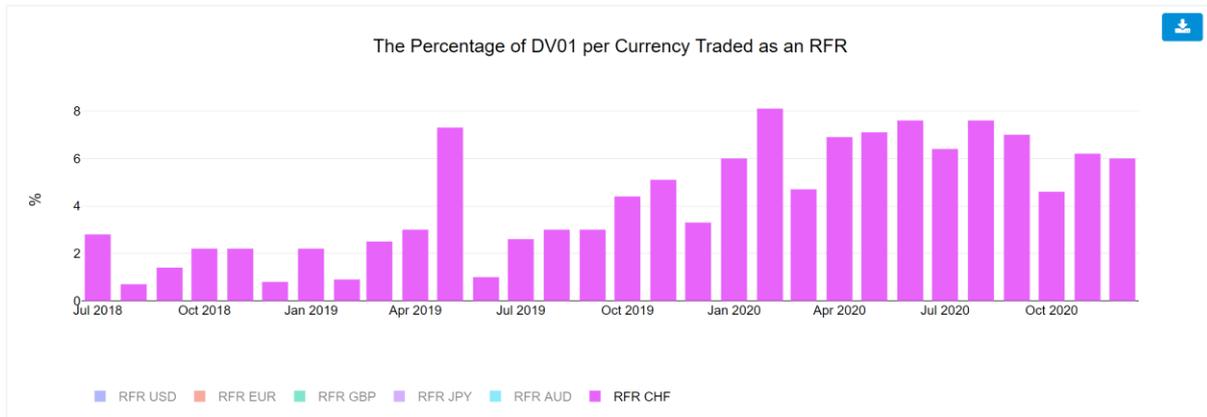
Our consultation response is based upon the data underlying the ISDA-Clarus RFR Adoption Indicator, available at [rfr.clarusft.com](http://rfr.clarusft.com).

## EUR LIBOR

EUR LIBOR derivatives are eligible for clearing at a handful of CCPs. Virtually all volumes, however, are EURIBOR-linked. We will therefore not comment on EUR LIBOR cessation specifically.

## CHF LIBOR

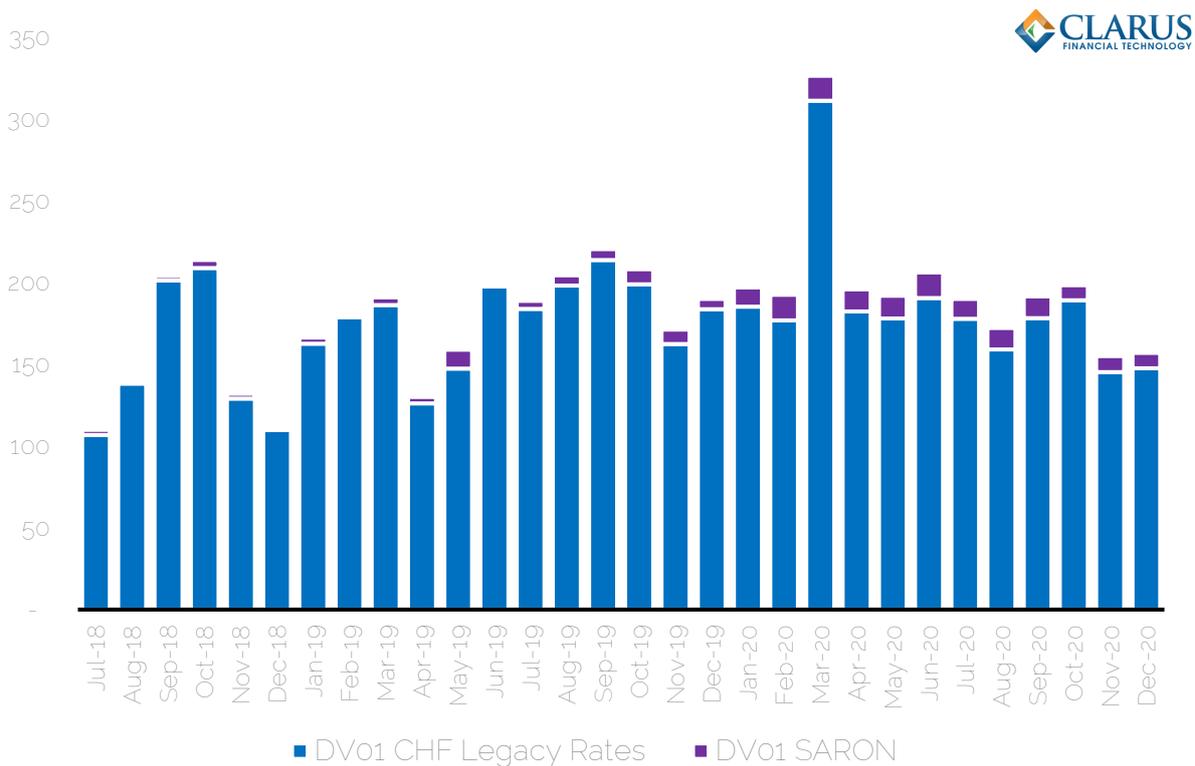
The RFR Adoption Indicator for CHF products stands at 6.0% as at the end of 2020. It ranged from 4.6% to 8.1% in the past 12 months. As stated previously, the RFR Adoption Indicator measures the percentage of trading activity (as measured by DV01) that is conducted versus the Risk Free Rate (in this case CHF SARON).



From [rfr.clarusft.com](http://rfr.clarusft.com).

Data shows that CHF derivatives markets are therefore continuing to trade the bulk of new risk versus the existing LIBOR indices. Most of this is made up from OTC Swaps, cleared at LCH SwapClear.

It is important to note that overall trading activity is not materially changing as a result of the proposed transition to RFRs. Trading demand continues apace across CHF interest rate markets, as evidenced by the total DV01 traded each month:



The data for CHF cleared derivatives markets, across both OTC and ETD asset classes, shows:

- There is a slow take-up of RFR trading.
- Trading in interest rate products continued at similar levels in 2020 to 2019. \$2.20bn DV01 of CHF IRD risk traded in 2019 versus \$2.37bn in 2020, a 7% increase.

- Trading in SARON products more than doubled from 2019 to 2020. \$70m DV01 of SARON IRD risk traded in 2019 versus \$152m in 2020.
- Despite the substantial growth in SARON risk traded, most risk management in CHF markets continues to be in LIBOR products.

There have been no notable events linked to SARON during 2020 (unlike USD SOFR and EUR €STR which saw discounting changes at CCPs). Absent any such “event” there has been no catalyst over the course of 2020 to make SARON the dominant risk management index.

It is important to note that this data is based on *gross* risk reported by CCPs. For market participants managing their transition to RFRs, they are likely to focus on *net* risk per counterparty. However, it is very unlikely that net risk management could move toward SARON without also witnessing a shift in gross risk.

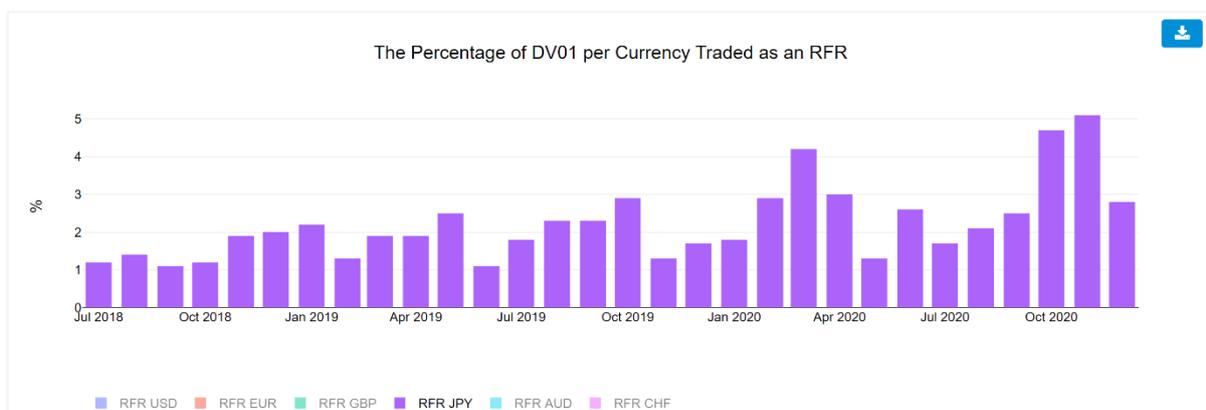
This IBA consultation notes that there is very little activity in term unsecured lending in CHF markets, and in terms of panel bank submissions notes that:

*“[P]anel banks have had to rely to a large extent on the exercise of expert judgement in formulating their .. submissions. Furthermore, an insufficient number of CHF LIBOR panel banks have communicated to IBA that they would be willing to continue contributing to CHF LIBOR after December 31, 2021.”*

We therefore believe that CHF LIBOR is extremely likely to cease publishing at the end of 2021. Why the transition away from LIBOR has not been faster during 2020 is worrying. We believe that market participants from both the sellside and buy-side should communicate to the market how their net risk management activities have transitioned away from CHF LIBOR and toward SARON. This extra data will be vital to continue to monitor the pace at which a transition away from LIBOR may (or may not) be happening.

## JPY LIBOR

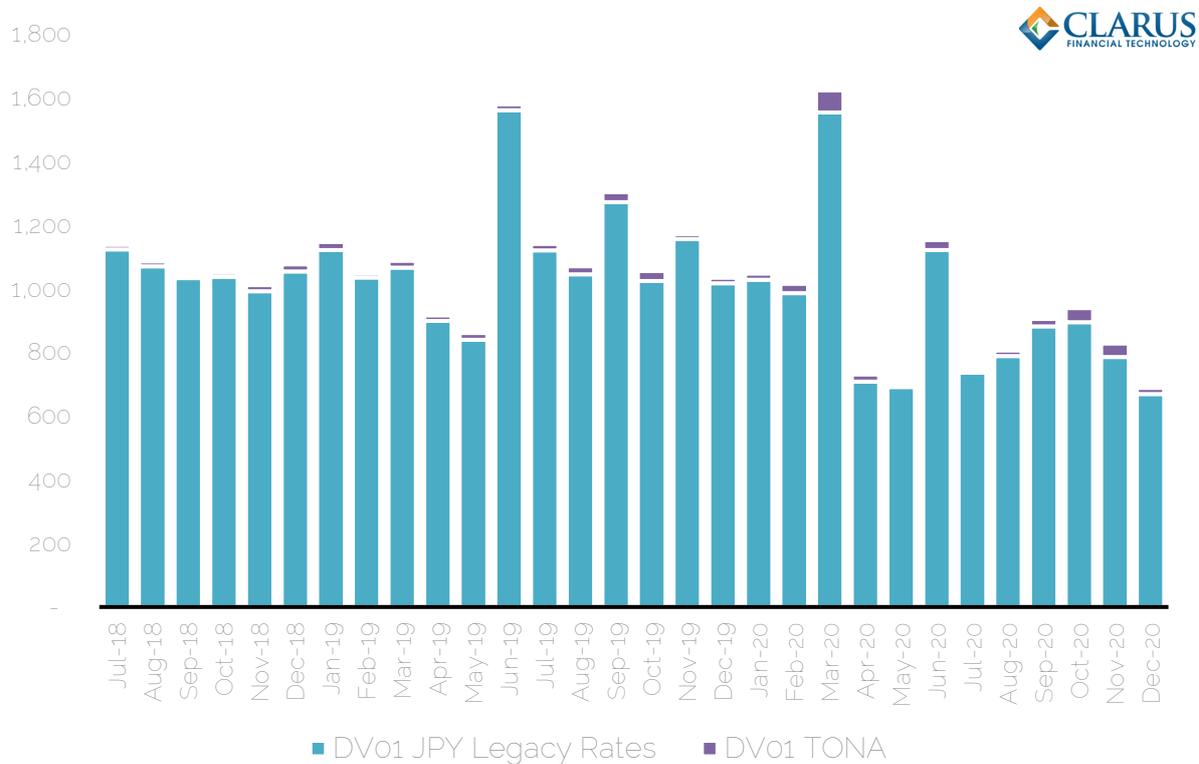
The RFR Adoption Indicator for JPY stands at just 2.8% as at the end of 2020. It ranged from 1.3% to 5.1% in the past 12 months. As stated previously, the RFR Adoption Indicator measures the percentage of trading activity (as measured by DV01) that is conducted versus the Risk Free Rate (in this case JPY TONA).



From [rfr.clarusft.com](http://rfr.clarusft.com).

The JPY derivatives market is therefore continuing to trade the bulk of new risk versus the existing LIBOR indices. Most of this is made up from OTC Swaps, cleared at LCH SwapClear and JSCC.

It is important to note that overall trading activity is not materially changing as a result of the proposed transition to RFRs. Trading demand continues apace across JPY interest rate markets, as evidenced by the total DV01 traded each month:



The data for JPY cleared derivatives markets, across both OTC and ETD asset classes, shows:

- There is a very slow take-up of RFR trading.
- Trading in interest rate products decreased in 2020 compared to 2019. \$13.4bn DV01 of JPY IRD risk traded in 2019 versus \$11.19bn in 2020, a 17% decrease.
- Trading in TONA products increased from 2019 to 2020. \$254m DV01 of TONA IRD risk traded in 2019 versus \$336m in 2020, a 32% increase.
- The growth in TONA risk traded against a back-drop of overall decreasing activity is somewhat positive.
- However, TONA remains one of the smallest RFR markets that we monitor (only SARON is smaller in terms of total risk traded). This is not commensurate with the overall size of the JPY rates market, and it is worrying that some months saw less than 2% of risk traded versus TONA.

Similar to CHF, there have been no notable events linked to TONA during 2020. However, unlike SARON, TONA has been the dominant index on OIS in JPY markets since they were first traded. This should lower the transition barriers in JPY markets. It is therefore very surprising that JPY markets show the weakest adoption of RFRs across the six currencies we monitor.

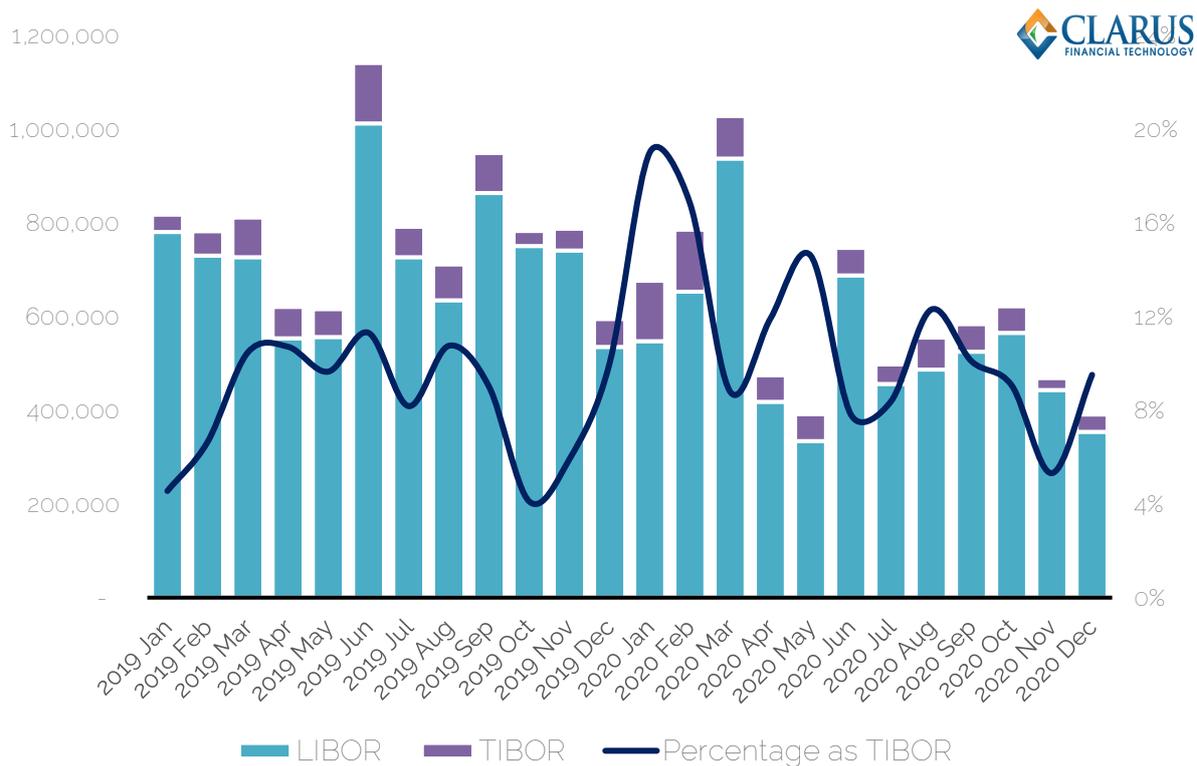
This IBA consultation notes that there is very little activity in term unsecured lending in JPY markets, and in terms of panel bank submissions notes that:

*“[P]anel banks have had to rely to a large extent on the exercise of expert judgement in formulating their .. submissions. [A]n insufficient number of JPY LIBOR panel banks have communicated to IBA that they would be willing to continue contributing to JPY LIBOR after December 31, 2021.”*

JPY LIBOR appears to be equally at risk as CHF LIBOR, and yet RFR adoption in JPY markets lags even CHF. This is concerning.

JPY Rates markets do differ somewhat from CHF however. Notably, JPY LIBOR trades alongside other term rates, called TIBOR (both DTIBOR and ZTIBOR exist as onshore/offshore variants). The interest rate derivatives market trades both outright TIBOR products and basis swaps versus LIBOR.

As part of the Clarus data set, we have granularity over how much TIBOR risk is traded at one of the largest JPY CCPs – JSCC. Given that the cessation of LIBOR is well publicised, there has therefore been the possibility that risk management has moved to TIBOR rather than the preferred RFR, TONA. However, the data shows that this has not been the case:



Showing;

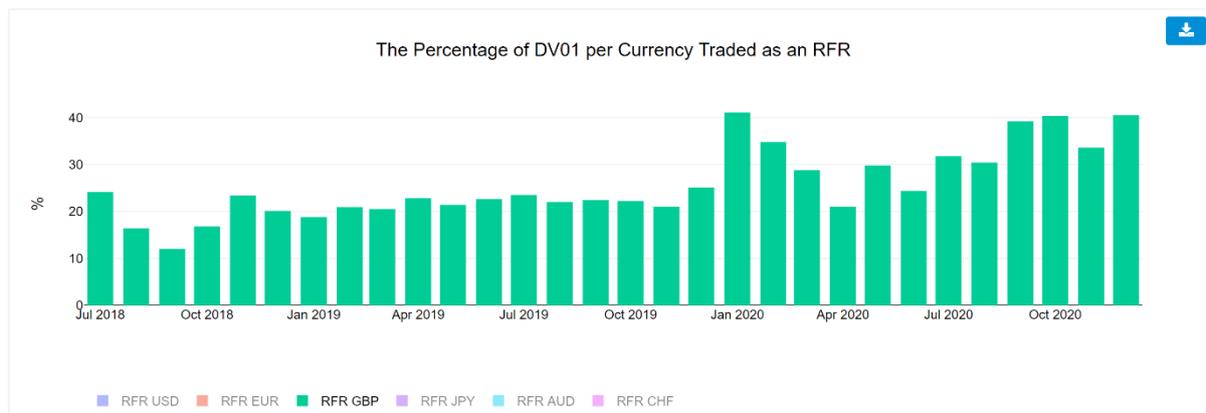
- 8% of notional, as reported by JSCC, was linked to TIBOR products in 2019.
- 11% of notional was linked to TIBOR products in 2020.
- There has not been a large move away from LIBOR products over the past two years.
- There was only 2% more TIBOR-linked notional traded in 2020 versus 2019 (\$812bn vs \$796bn).

Overall, whilst JPY market participants could (theoretically) choose to transition away from LIBOR through a combination of TIBOR and TONA, we do not see this happening in the data.

It would be beneficial to the overall market if market participants published their net risk in both JPY LIBOR and JPY TONA terms. This extra data is needed to monitor the transition away from LIBOR.

## GBP LIBOR

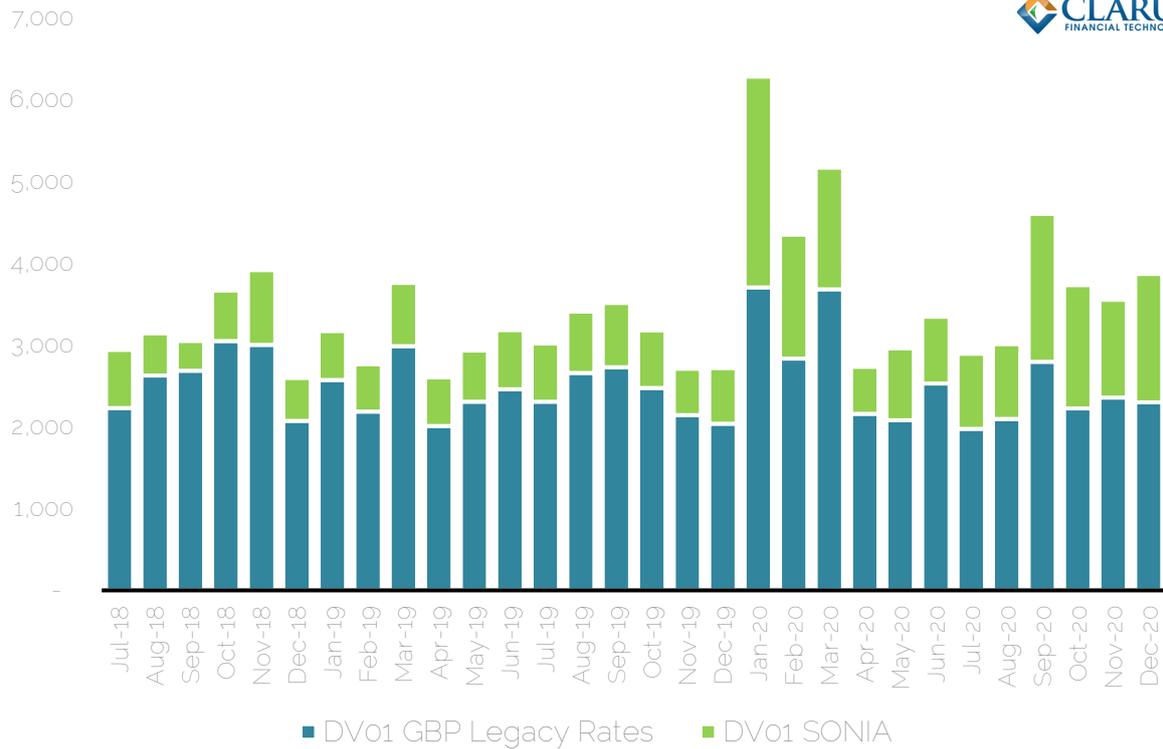
The RFR Adoption Indicator for GBP products stands at 40.5% as at the end of 2020. It ranged from 21% to 41% in the past 12 months. As stated previously, the RFR Adoption Indicator measures the percentage of trading activity (as measured by DV01) that is conducted versus the Risk Free Rate (in this case GBP SONIA).



From [rfr.clarusft.com](http://rfr.clarusft.com).

The GBP derivatives market has shown a considerable appetite to transition away from LIBOR. A large proportion of new risk is now traded versus the RFR. Most of this is made up from OTC Swaps, cleared at LCH SwapClear.

It is important to note that overall trading activity is not materially changing as a result of the proposed transition to RFRs. Trading demand continues apace across GBP interest rate markets, as evidenced by the total DV01 traded each month:



The data for GBP cleared derivatives markets, across both OTC and ETD asset classes, shows:

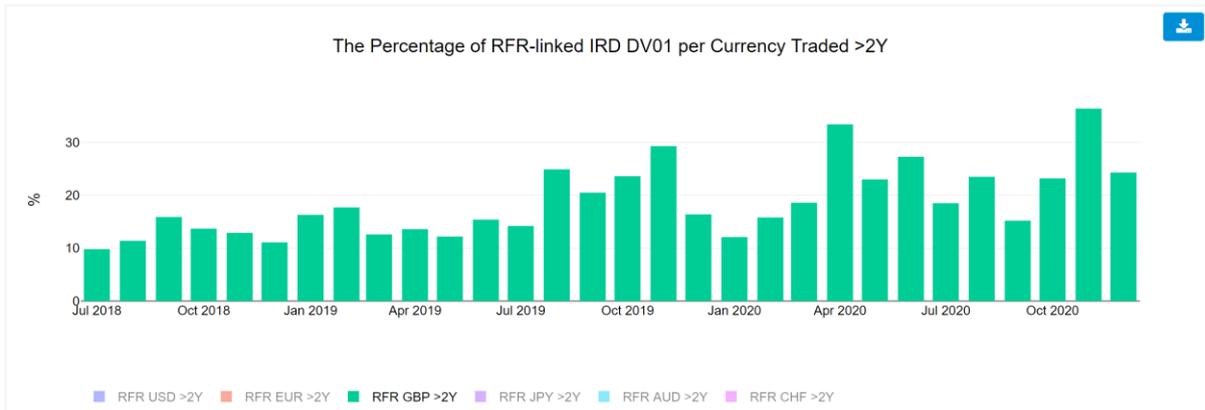
- There has been substantial trading activity in the RFR.
- Trading in interest rate products increased notably from 2019 to 2020. \$37.0bn DV01 of GBP IRD risk traded in 2019 versus \$46.5bn in 2020, a 26% increase.
- Trading in SONIA products nearly doubled from 2019 to 2020. \$8.1bn DV01 of SONIA IRD risk traded in 2019 versus \$15.8bn in 2020.
- There has been both substantial growth in SONIA risk traded, and clear signs that market participants have moved some risk management to SONIA.

There has been a notable drive from UK regulators to move interbank trading to SONIA-based products. Both in March<sup>1</sup> and October<sup>2</sup>, we saw public announcements that interbank trading should move to SONIA as the “default” index. These announcements have certainly helped move trading activity into SONIA.

The data suggests that GBP derivative markets are well positioned for the cessation of GBP LIBOR. As part of this transition, it is notable that the SONIA market itself is changing in market structure. More long-dated risk was traded in GBP SONIA during 2020 that we have ever seen previously.

<sup>1</sup> See <https://www.clarusft.com/sonia-day-live-blog/>

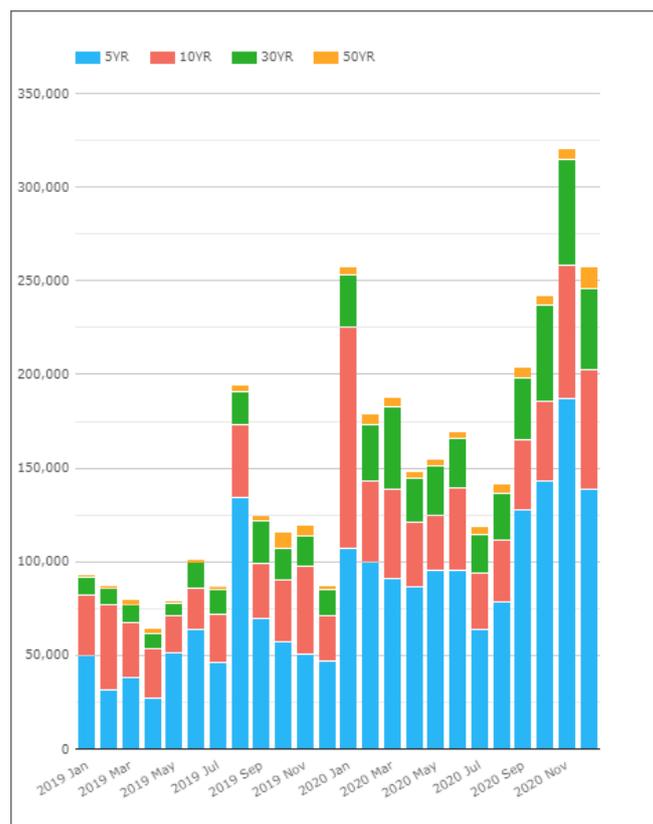
<sup>2</sup> See <https://www.clarusft.com/sonia-day-2-live-blog/>



1 See [rfr.clarusft.com](http://rfr.clarusft.com)

The chart shows the SONIA-linked DV01 that was traded in tenors longer than 2 years as a percentage of the total SONIA-linked DV01<sup>3</sup>. This is an important metric as SONIA has traditionally been a short-dated market. We can see that average activity in longer-dated SONIA derivatives increased during 2020. In Q4 2020, 28% of SONIA risk was in tenors longer than 2 years.

This trend can be seen in LCH SwapClear notional data linked to long-dated SONIA swaps. There has been a notable increase in long-dated SONIA notional registered at this CCP:



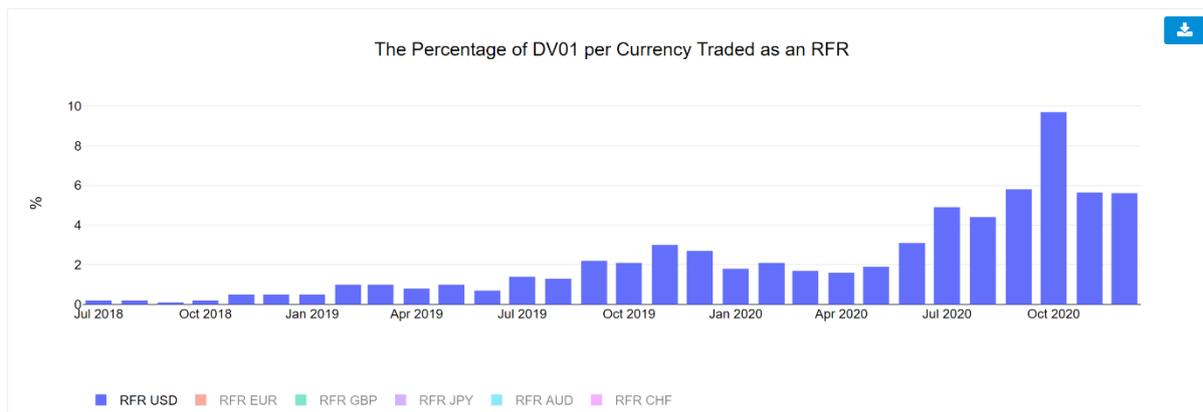
2 Data and chart from [ccpview.clarusft.com](http://ccpview.clarusft.com)

<sup>3</sup> Please note this looks only at SONIA risk. It is not a measure of long-dated SONIA risk as a percentage of all GBP risk traded.

GBP SONIA markets are therefore currently well positioned for LIBOR transition. 40% of new risk is transacted versus the RFR and the RFR market has been able to expand over the past 12 months. Notably, the risk management appetite in longer-dated products in SONIA has increased, a very positive development.

## USD LIBOR

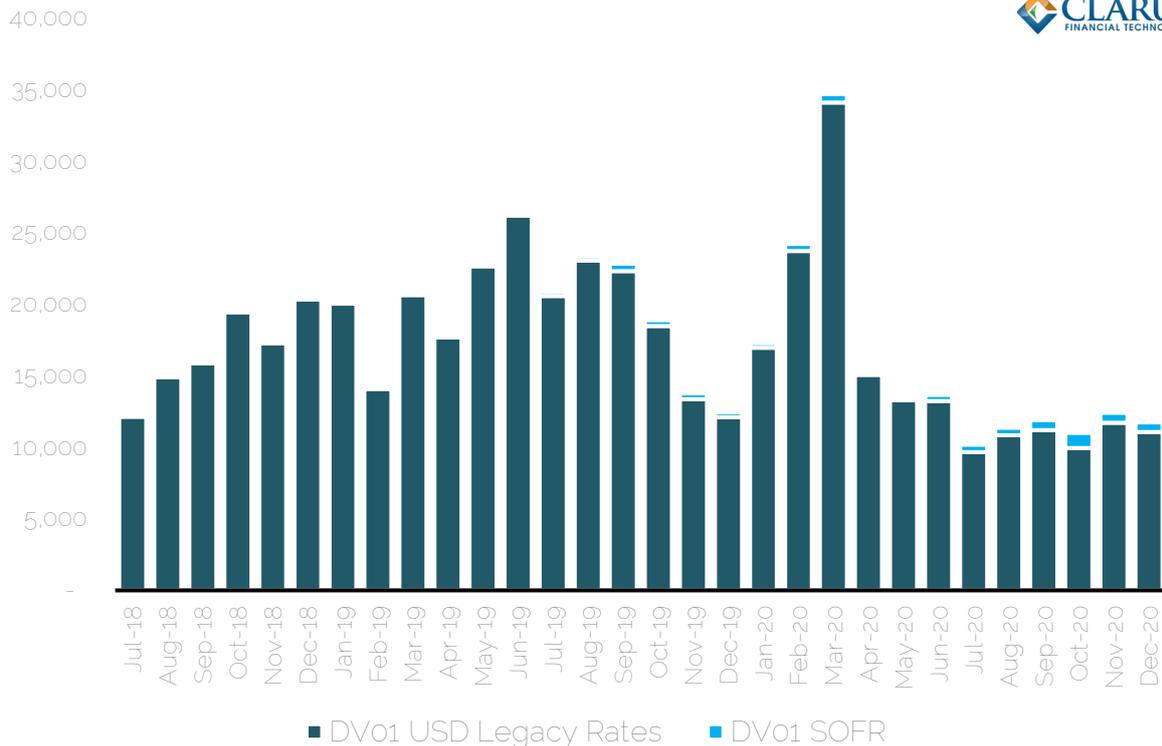
The RFR Adoption Indicator for USD products stands at 5.6% as at the end of 2020. It ranged from 1.6% to 9.7% in the past 12 months. As stated previously, the RFR Adoption Indicator measures the percentage of trading activity (as measured by DV01) that is conducted versus the Risk Free Rate (in this case USD SOFR).



From [rfr.clarusft.com](http://rfr.clarusft.com).

The USD derivatives market is continuing to trade the bulk of new risk versus legacy rates. This is mainly a combination of LIBOR and Fed Fund-based futures cleared at CME, and OTC derivatives in LIBOR and Fed Funds at LCH SwapClear.

It is important to note that overall trading activity is not materially changing as a result of the proposed transition to RFRs. Trading demand continues apace across USD interest rate markets, as evidenced by the total DV01 traded each month:



The data for USD cleared derivatives markets, across both OTC and ETD asset classes, shows:

- There is an increasing take-up of RFR trading, albeit from low levels.
- Trading in interest rate products declined from 2020 to 2019. \$234bn DV01 of USD IRD risk traded in 2019 versus \$187bn in 2020, a 20% decrease.
- Trading in SOFR products doubled from 2019 to 2020. \$3.2bn DV01 of SOFR IRD risk traded in 2019 versus \$6.4bn in 2020.
- Notably for SOFR, the RFR market was able to scale-up considerably in response to the “big-bang” discounting switch<sup>4</sup> at LCH and CME. 9.7% of total risk traded (over \$1bn DV01) was transacted in October 2020.

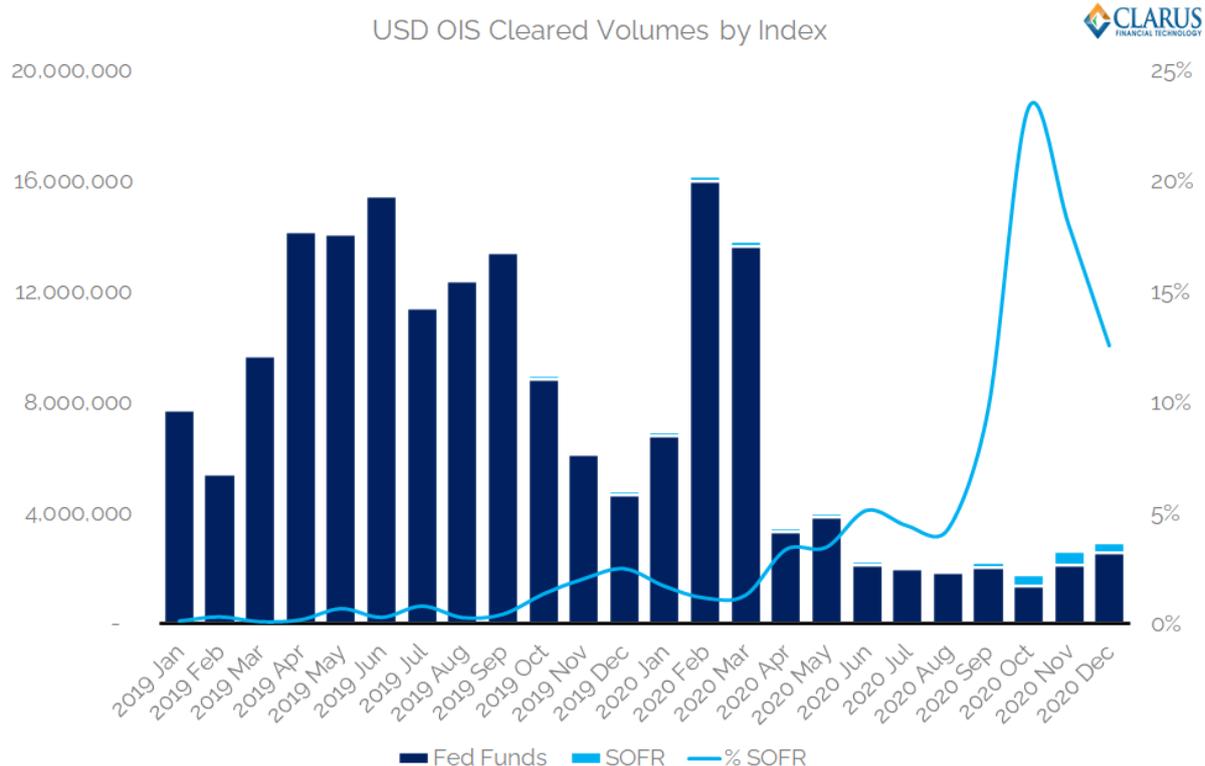
The discounting switch at CCPs therefore acted as a catalyst to engineer increased demand in SOFR risk management products. It is a very positive sign for transition to RFRs that market participants were able to scale-up their trading activity to such an extent.

As expected, the amount of SOFR-linked activity has declined in the months following this peak. However, the extent of the decline was somewhat larger than anticipated. The decline has left SOFR activity just 0.6% higher than in the three months prior to the discounting switch.

We interpret this data as showing that the dealer community were able to scale-up their risk management in SOFR *when the demand was there*. The fact that SOFR has declined to such an extent in the months afterwards likely highlights that clients of dealer banks are not actively seeking SOFR-linked products. We think this needs to be addressed.

<sup>4</sup> See <https://www.clarusft.com/sofr-live-blog/> for more details.

In the specific case of USD SOFR, market participants may also choose to trade OIS (and basis swaps) versus another overnight rate – EFR<sup>5</sup>, or “Fed Funds”. This alternative can be seen as both a positive and a negative for SOFR adoption. On the plus side, transition away from Fed Funds into SOFR should be relatively straightforward, given both trade as compounded in-arrears overnight products, with a payment delay for coupons. On the negative side, market participants may be more comfortable trading an existing rate, Federal Funds, for which they intricately understand the dynamics of the fixing. It is therefore relevant to also monitor the trading in OIS swaps (and futures) linked to Fed Funds to see if there is evidence of transition away from USD LIBOR and into this other “legacy” index.



<sup>3</sup> please see <https://www.clarusft.com/3-new-fed-fund-charts-you-need-to-see/>

The chart shows;

- The percentage of cleared OIS, on a notional basis, that is traded versus either SOFR or Fed Funds.
- The chart shows that the overall notional amounts of Fed Funds-linked products has declined substantially since 2019.
- This is most likely as a direct result of a Zero Interest Rate environment which has reduced volatility at the short-end and hence reduced risk management requirements in Fed Funds linked products.
- Whatever the motivating factor behind the decline in Fed Funds-linked notional volumes, the chart shows that trading is not transitioning out of LIBOR products and into Fed Funds products.

<sup>5</sup> EFR – Effective Federal Funds Rate

The chart also reveals positive signs for SOFR adoption. The notional amounts of SOFR have increased whilst Fed Funds OIS volumes have declined. This could signal a transition out of Fed Funds into SOFR and/or a shift from LIBOR products into SOFR despite reduced activity in other OIS swaps.

Overall, there are several positive aspects of the data, showing that SOFR adoption has certainly picked-up during 2020. Crucially, we believe market participants have shown that risk management in SOFR can substantially scale-up when required and the demand is there.

Similar to other markets that show a relatively low uptake of RFR trading, we believe that market participants require more public data to better understand how *net risk* positions in USD LIBOR are transitioning toward USD SOFR. This data should be publicly accessible and made available by both buy-side and sell-side institutions.

### Fallbacks and LIBOR Transition

Whilst not directly addressed in the consultation, we would also like to take the opportunity to mention LIBOR fallbacks. With the take-up of RFR indices most lacking in CHF and JPY markets, it may be the assumption of market participants that relying on ISDA-based fallbacks can act as a transition mechanism. As providers of risk and trading software, we have built support for the fallbacks, but we would caution that it is far from a trivial build. We do not believe that relying on fallbacks should be part of any market participants transition plan.

The build complication around fallbacks is due to the methodology retaining the original payment date of a swap, even though the compounded rates may not yet be available. This is most notable for any IMM-dated swap, which is very likely to contain at least one 84-day period. To support the fallbacks, the observation date of the reset itself must therefore be shifted. This is a completely novel concept for even sophisticated derivatives trading software to handle and recognise (particularly as this observation date shift is not applied to every period). Building support (and testing) for these types of scenario is a huge task and is work that will be repeated across numerous market participants.

Clarus believe that market participants should be actively transitioning both new and legacy trading portfolios from LIBORs to RFRs now. Market participants should not be relying on complex fallbacks to form any other part of their transition strategy other than a safety net (as ISDA have always maintained).

### In Conclusion

The data shows that:

- Market participants are successfully transitioning out of GBP LIBOR derivatives products into SONIA. Announcements from regulators have been successful in accelerating this trend. GBP markets are therefore well positioned to manage a successful transition out of GBP LIBOR.
- USD SOFR markets have successfully demonstrated that they are able to scale-up to meet significant risk management demands. However, this demand has not continued since the discounting switch and most trading activity continues to be in LIBOR-based products. More work needs to be done to encourage end-user demand of SOFR products.

- Both CHF and JPY LIBOR derivative markets appear to be in precarious positions. The amounts of RFR risk in both markets has increased during 2020 but at very slow rates. In the absence of explicit regulatory announcements or discounting switches, there have been no catalysing events during 2020 to fundamentally change how these markets are traded. There appears to be the risk of a disorderly transition from LIBOR products in these markets if market participants do not significantly accelerate their use of RFR products.

Certainty over the cessation dates of LIBOR can certainly act as catalysing events for more trading in RFR-linked products. We therefore support the IBA intention to provide certainty over when LIBOR will cease to publish. GBP markets have also shown that other regulatory announcements can also increase demand. This allows for an organic scaling-up of RFR markets and provides market participants reassurance that their risk management needs can be met.

On balance, we believe that the market has had ample time to consider transition as at end-2021 (Clarus first blogged on this in 2017!<sup>6</sup>). Certainty that LIBOR will cease to be used on new trades as of this date will act as a suitable catalyst to expand RFR trading. It is unclear what a delay to this date would achieve for the market. The data suggests that the fundamental shift to RFR trading can best be achieved through outright regulatory action.

Adding to regulatory announcements, we believe that public accountability is also required. Increased transparency into the *net risk management* activities of market participants, both sellside and buy-side, would bring much needed clarity as to the exact state of play of transition efforts.

We further take this opportunity to reiterate ISDA's statement<sup>7</sup> regarding Fallbacks for LIBOR indices. They are a necessary safety net but should not be relied upon as a transition tool.

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<sup>6</sup> <https://www.clarusft.com/libor-reform-what-you-need-to-know/>

<sup>7</sup> "The new fallbacks were never intended to be a primary means of transition – they are instead a one-size-fits-all safety net intended to mitigate the systemic impact of an IBOR cessation in the worst-case scenario". <https://www.isda.org/2021/01/14/countdown-to-new-fallbacks/>

CME

Dear Sir,

You are technically calling for a review of cessation of LIBOR on June 30 2023,

May I suggest that you move this one day prior or 2 days forward.

Why:

The fixing of the 30 June 2023 has the same value date of the first fall back fixing 3 July 2023,

This is a direct result of the repeat value due to the US independence holiday,

So a 30 June 2023 has huge market disruption implications, or methodology.

I am more than willing to discuss.

Best wishes



CME

Dear IBA,

I certainly do not envy your task of trying to assuage such a huge range of market participants, but I wanted to express my conviction regarding the proposed timing of the Trigger Date and Effective Date for the cessation of LIBOR.

As you're aware, the USD LIBOR fallback procedure is that the Spread Adjustment is calculated using the median of the last 5-years of the difference between LIBOR and the ARR. The rationale behind this, presumably, is that this Spread Adjustment is a good approximation of the difference between these two rates historically, and therefore it's reasonable to apply that Spread Adjustment to any outstanding contracts extending beyond the Effective Date. It seems to me, however, that this rationale does not hold true if the Trigger Date and Effective Date are separated by a large amount of time, as would be the case if, as the market currently expects, you announce the end of LIBOR in Q1 2021 (the Trigger Date) for an Effective Date of June 30, 2023. This is a time span of almost 2.5 years, so the Spread Adjustment which will be set on the Trigger Date, will not necessarily be representative of the spread between the two rates on the Effective Date of June 30, 2023.

While I certainly appreciate your desire to move forward with ending LIBOR, it seems like moving these two dates closer together would be beneficial for a smooth transition.

Sincerely,

[REDACTED]

[REDACTED]

DV Trading

## Consultation

IBA requests feedback from stakeholders on its intention to cease publication:

- after the publication of LIBOR on Friday December 31, 2021, of the following LIBOR settings (as calculated under the current Waterfall Methodology based on panel bank submissions):
  - EUR LIBOR - all tenors (Overnight, 1 Week, 1, 2, 3, 6 and 12 Months);
  - CHF LIBOR - all tenors (Spot next, 1 Week, 1, 2, 3, 6 and 12 Months);
  - JPY LIBOR - all tenors (Spot next, 1 Week, 1, 2, 3, 6 and 12 Months);
  - GBP LIBOR - all tenors (Overnight, 1 Week, 1, 2, 3, 6 and 12 Months); and
  - USD LIBOR - 1 Week and 2 Months; and
- after the publication of LIBOR on Friday June 30, 2023, of the following LIBOR settings (as calculated under the current Waterfall Methodology based on panel bank submissions):
  - USD LIBOR - Overnight and 1, 3, 6 and 12 Months,

subject to any rights of the FCA to compel IBA to continue publication.

Please provide feedback to IBA at [IBA@theice.com](mailto:IBA@theice.com) by **5pm London time on Monday January 25, 2021**.

*This consultation is not, and must not be taken to be, an announcement that IBA will cease or continue the provision of any LIBOR settings after December 31, 2021, or June 30, 2023. See also the statements from ISDA5 that followed notices of IBA's intention to consult stating that they did not constitute an index cessation event under the ISDA IBOR Fallbacks Supplement and ISDA 2020 IBOR Fallbacks Protocol.*

IBA notes that any publication of the Overnight and 1, 3, 6 and 12 Months USD LIBOR settings based on panel bank submissions beyond December 31, 2021 will need to comply with applicable regulations, including as to representativeness. Based on current information from panel banks, IBA anticipates there being a representative panel for the continuation of these USD LIBOR settings through to June 30, 2023.

After the feedback period has closed, IBA intends to share the results of the consultation with the FCA and to publish a feedback statement summarizing responses from the consultation shortly thereafter. IBA will also publish the comments received unless confidentiality has been requested by the originator of the comments.

## ISP supports the proposed cessation timeline with some concerns on related market risks.

We generally agree with the IBA's proposal to postpone the cessation of the most widely used USD Libor fixings from end of 2021 to mid-2023 and to confirm the cessation of Libor rates of other currencies after 31 December 2021, but we would like to highlight some caveats.

Due to delays in the definitions of new RFR products calculation methodologies, some segments of the international markets appear not yet prepared for the benchmark transition. Market participants have voiced concerns on the upgrade of front-office and accounting systems, also due to some deployment delays from the main IT vendors for new modules of their systems to cater for RFR conventions. By adding 18 months to the USD Libor transition, IBA would help market

participants to manage the upgrade of their systems, smoothly finalize the renegotiation of legacy Libor contracts and promote RFR indexed products among their counterparties.

All that said, we see some risks in the proposed approach, in particular related to the possibility that, for USD-denominated instruments maturing after mid-2023, the renegotiation of cash products and adjustment of related derivative hedges might raise basis risks in banking and trading books of market participants due a shrinking liquidity in the USD Libor derivatives market.

We expect that in Q1 2021 IBA will make an announcement for a future cessation of Libor rates, triggering the final calculation of ISDA fallback spread adjustments for derivatives (based on 5 year historical median spread); in the case of USD Libor, this means that the historical spread will be frozen more than 2 years in advance of the final benchmark cessation. This anticipated pre-cessation announcement for USD Libor will give clarity to USD derivatives market but might freeze the Libor-Sofr spread at a historical average significantly different from the expected Libor market values in 2022-23. Indeed, Libor panel banks will most likely continue their "traditional" contribution until mid-2023 and actual Libor fixings may mark very different values compared to ISDA fallback rates.

This scenario implies that, to avoid basis risks, market participants should carefully transition their USD cash contracts maturing after mid-2023 simultaneously with their hedges, which requires Libor derivatives market to remain liquid after the end of 2021 and close to mid-2023.

Furthermore, the lack of a liquid Libor forward curve will jeopardize the revaluation process of trading and hedging legacy books.

It is worth noting that uncertainties in the spread between USD Libor and SOFR forward curves might additionally generate significant challenges for the management of books denominated in multiple currencies, for example in trades where USD Libor cash products are funded with CCS, whose legs might transition to RFR indexation at the beginning of 2022.

To mitigate these risks, we believe that the Benchmark Administrator and the Regulators should re-examine the possibility of introducing a new calculation methodology for USD Libor based on term SOFR rate + ISDA spread (for purposes of this note, we will refer to this alternative calculation methodology as "Synthetic Libor"), as soon as a reliable term SOFR curve is developed, possibly at the beginning of 2022. We have recently experienced the transition from Euro Eonia to Euro Estr based on a similar fixed spread methodology and the process for all market participants has been extremely smooth.

By discontinuing the "traditional" USD Libor fixings methodology and replacing it with a Synthetic Libor until the cessation date in mid-2023, all the instruments on Banks' legacy books will be transformed into RFR-like balance sheet items. Besides, Market Makers could continue quoting Synthetic Libor-based derivatives, granting from one side the necessary liquidity to those counterparties who will need to manage/renegotiate their legacy derivatives books before mid-2023 and fostering the development of SOFR derivatives markets on the other side.

We are witnessing among market participants some sort of reluctance to renegotiate existing contracts using the news RFRs (a behavior mainly and understandably connected to the operational and technical difficulties mentioned above). In our view, letting Libor continue in the same form it exists today after December 2021 could further delay this process, while a synthetic Libor might provide market participants with the proper incentive to accelerate the transition. This solution should be obviously carefully assessed in light of potential legal risks surrounding Libor-indexed legacy financing agreements.

## IBA ICE LIBOR Consultation on Potential Cessation - ISDA Response

*The views set out in this response to the IBA ICE LIBOR Consultation on Potential Cessation have been provided by 14 out of ISDA's 925 member institutions and aggregated and anonymised by ISDA. They are based on written responses provided to ISDA by 14 member firms of the ISDA Americas and Europe Benchmark Working Group, ISDA APAC Benchmark Working Group, ISDA Article 28(2) EU Benchmark Regulation Group; the ISDA EU Benchmarks Regulation Advocacy Working Group; the ISDA IBOR Fallbacks Implementation Subgroup, ISDA Interest Rates Steering Committee; the ISDA JPY Benchmark Working Group; and the ISDA Rates Market Infrastructure Working Group. Not all members responded and not all members of ISDA are members of these working groups. The views may not, therefore, reflect those of the membership or the working groups in their entirety. **In particular, please note that the responses below contain differing views expressed in relation to the feedback submitted by other working group members during the working group process.** ISDA has also encouraged members to provide direct responses to the consultation and therefore some of the views contained in this feedback may also be reflected in those submissions. ISDA does not endorse any particular approach to potential cessation of ICE LIBOR and is providing this response for informational purposes.*

### Question

IBA requests feedback from stakeholders on its intention to cease publication:

after the publication of LIBOR on Friday December 31, 2021, of the following LIBOR settings (as calculated under the current Waterfall Methodology based on panel bank submissions):

- EUR LIBOR - all tenors (Overnight, 1 Week, 1, 2, 3, 6 and 12 Months);
- CHF LIBOR - all tenors (Spot next, 1 Week, 1, 2, 3, 6 and 12 Months);
- JPY LIBOR - all tenors (Spot next, 1 Week, 1, 2, 3, 6 and 12 Months);
- GBP LIBOR - all tenors (Overnight, 1 Week, 1, 2, 3, 6 and 12 Months); and

### Response

#### **Feedback on proposed cessation date for EUR, CHF, JPY and GBP LIBOR (all tenors) and USD LIBOR 1 week and 2 month tenors**

Four firms stated they support the proposed cessation dates.

Two firms stated they support the proposed cessation date of Friday December 31, 2021, for EUR, CHF, JPY and GBP LIBOR (all tenors).

Two firms opposed the proposed cessation date for USD LIBOR 1 week and 2 month tenors saying that splitting the USD LIBOR tenors into two phases would pose significant challenges from a transition project perspective. Both members therefore supported a cessation date of Friday, June 30, 2023 for all USD LIBOR tenors.

One firm opposed the proposed cessation dates on the grounds that they should not fall in December or January to avoid the code freeze and year-end book-closing processes, or at the end of March as this is when code freezing and year-end book-closing processes occur in Japan. This firm proposed mid-February 2022 as the cessation date for these benchmarks.

- USD LIBOR - 1 Week and 2 Months; and

after the publication of LIBOR on Friday June 30, 2023, of the following LIBOR settings (as calculated under the current Waterfall Methodology based on panel bank submissions):

- USD LIBOR - Overnight and 1, 3, 6 and 12 Months,

subject to any rights of the FCA to compel IBA to continue publication.

One firm stated that 31 December should be avoided for similar reasons relating to code freeze and year-end book-closing processes. This firm did not propose a specific alternative date but suggested that a date in mid-January would be acceptable.

Two responding firms stated they disagreed with the proposed extension to mid-February 2022.

#### **Feedback on proposed cessation date for USD LIBOR - Overnight and 1, 3, 6 and 12 Months**

Four firms stated they support the proposed cessation date of Friday June 30, 2023, for USD LIBOR - Overnight and 1, 3, 6 and 12 Months.

As noted above, two firms stated they supported the proposed cessation date of Friday June 30, 2023 for USD LIBOR - Overnight and 1, 3, 6 and 12 Months, and also stated that the cessation date for the USD LIBOR 1 week and 2 month tenors should also be extended to Friday June 30, 2023, to avoid challenges associated with splitting the cessation dates for USD LIBOR tenors.

Two firms stated that they supported a further extended cessation date of December 31, 2026, to allow a greater number of USD LIBOR-indexed contracts to mature prior to cessation, in particular for 1 and 3 month USD LIBOR. Three responding firms stated they disagreed with that proposed extended cessation date of December 31, 2026.

#### **Additional miscellaneous comments**

Two firms stated that it would be helpful if greater certainty on USD LIBOR remaining representative until June 30, 2023 could be provided by the FCA and the IBA (to the extent possible).

One firm stated that assurance would be welcomed from the FCA that all of the LIBOR tenors will be representative until their proposed cessation date.

One firm stated that a public statement by the FCA and IBA that unambiguously constitutes a “trigger event” for each currency/tenor of LIBOR (with the specific end dates or non-representative dates, as applicable) would provide helpful clarity for the derivatives markets.

One firm stated that for the USD LIBOR tenors proposed to cease on Friday June 30, 2023, certainty that panel banks will continue to provide submissions until that cessation date of June 30, 2023 would be helpful to market participants.

One firm stated that in order to allow for proper preparation, and to ensure a smooth transition, it is important for market participants to know in advance when the cessations will occur, for each index. With regards to any cessation announcements following the conclusion of the consultation they proposed:

- Timing: Announcements should be made as soon as is practicable, to maximize the amount of time for which market participants are certain as to the cessation timeline of the LIBOR indices.
- Definitiveness: It should be definitive that each index will cease publication on its planned future cessation date, rather than before or after. This definitiveness is required in order to allow market participants to understand with certainty (or near-certainty) how LIBOR-linked products will behave prior to and after this cessation date, and to risk-manage accordingly – thus minimizing the disruption caused by the transition.
- Simultaneity and Comprehensiveness: There should be one announcement that applies to all LIBOR indices, across all 5 currencies, and all tenors – there should not be different statements made at different times with respect to the various currencies or tenors.
- Representativeness through cessation date: It should clearly state that the index will be representative of the underlying market through the indicated cessation date. Because some LIBOR fallbacks trigger off of non-representativeness, it needs to be clear that the trigger will not occur until the designated cessation date.
- Fallback triggers: It should state that it constitutes, with respect to derivatives, an “Index Cessation Event” under the ISDA IBOR Fallbacks Supplement, as well as, with respect to cash products, a fallback trigger event under the relevant market standard documentation which is meant to trigger off of such an announcement.
- Endorsement of statement: To maximize the creditability of the announcement, they believe that both the IBA and the FCA (and, ideally, the central banks for each of the currencies in which LIBOR is published) should make clear that they are in agreement in regard to the content of the statement, including with respect to points (b), (c), (d), and (e) above. It will be helpful to market participants if they know that there is a consensus among the relevant authorities as to how and when the cessation will take place.

	<p>They also noted their understanding that a consequence of the plans to cease publication of LIBOR is that the LIBOR ICE Swap Rate publications will also cease at some point. They requested that IBA provide the market with timely guidance on (i) what criteria it will use to establish when to discontinue the LIBOR ICE Swap Rates, and (ii) the expected timing of any such discontinuation.</p>
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January 25, 2021

ICE Benchmark Administration  
Via Electronic Mail

**RE: US-Based Regional Bank Response to IBA LIBOR Consultation**

Ladies and Gentlemen:

We represent US-based regional banking organizations that primarily focus on providing traditional retail and commercial banking products and services. Our traditional retail and commercial bank business models focus on the banking and financial services needs of American consumers, small and mid-size businesses, and state and municipal governments.

**Background**

The ICE Benchmark Administration (IBA), authorized and regulated by the UK's Financial Conduct Authority (FCA) to administer LIBOR, made announcements on November 18, 2020, and November 30, 2020, that it would consult on its intention to cease publication of:

- the following LIBOR settings, to take effect after the publication of LIBOR on Friday December 31, 2021:
  - o EUR LIBOR - all tenors (Overnight, 1 Week, 1, 2, 3, 6 and 12 Months)
  - o CHF LIBOR - all tenors (Spot next, 1 Week, 1, 2, 3, 6 and 12 Months)
  - o JPY LIBOR - all tenors (Spot next, 1 Week, 1, 2, 3, 6 and 12 Months)
  - o GBP LIBOR - all tenors (Overnight, 1 Week, 1, 2, 3, 6 and 12 Months);
  - o USD LIBOR - 1 Week and 2 Months; and
- the following LIBOR settings, to take effect after the publication of LIBOR on Friday June 30, 2023:
  - o USD LIBOR - Overnight and 1, 3, 6 and 12 Months

On December 4, 2020 the IBA published the consultation document with responses to be provided by January 25, 2021.

**Summary**

The undersigned regional banking organizations support the IBA proposal to discontinue the aforementioned tenors. While we are on pace for achieving operational readiness by year-end 2021, there are numerous benefits for both end-customers and financial firms from extending the LIBOR cessation deadline for Overnight, 1, 3, 6, and 12-month USD LIBOR from December

31, 2021 to June 30, 2023. These benefits include lower resource costs in both time and effort and lower financial, legal, and operational risks primarily in the areas of remediating contracts, building operational readiness, and allowing time for further market developments. Most importantly, the additional time afforded by the extension allows financial firms to prioritize resources to ensure operational readiness for new alternative reference rate products and the cessation of any new LIBOR contracts beyond December 31, 2021, which is aligned with the guidance from the joint statement from The Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation dated November 30, 2020.

## **Detailed Response**

We support the intention to cease LIBOR settings for the tenors listed above for EUR, CHF, JPY, GBP, and USD LIBOR (1 week and 2 months). We support the extension of the publication of USD LIBOR for Overnight, 1, 3, 6, and 12 months from December 31, 2021 to June 30, 2023. The proposed extension has multiple benefits to support the efficient transition away from USD LIBOR to alternative reference rate benchmarks from a contract remediation, operational, and market development perspective.

For legacy loan and derivative contracts, the proposal significantly reduces the population of contracts requiring remediation as a number of contracts will mature over the incremental 18 months. Reducing the number of contracts requiring remediation also reduces complexity, thereby contributing to a smoother market transition. Both customers' and financial firms' remediation costs in both time and resources may be significantly reduced. Similarly, for loans and derivatives that mature beyond June 2023, the extension period reduces the maturity (roll down) and basis/market risk exposure subject to market volatility and potential value transfer at cessation. Additionally, for "tough legacy" capital markets contracts, the extension allows for the maturity of a number of such contracts and the potential for legislative solutions to help provide fallback mechanisms.

With regard to operations, the extension period allows both end-customers and financial firms to continue to build operational readiness to support new products. Updates to internal and third-party systems, documentation, and models for valuation, forecasting, and accounting are required in many cases to support the transition from LIBOR to SOFR or other reference rate products. While financial firms have invested significantly to build operational readiness, the amount of effort is substantial and third-party vendor cooperation is required. Additional time to manage the transition of existing loans helps ensure the execution will be done in a safe and sound way. Additionally, our customers are still developing their capabilities to align with new markets for cash and derivative products and additional time will assist these efforts.

Market adoption of SOFR products has been slow, especially in lending markets. Extending certain LIBOR tenors through June 2023 allows for the further development of SOFR or other alternative reference rate products in consumer loans, commercial loans, and capital markets instruments. We expect that this will also facilitate the development of derivative markets. Many consumer and commercial loans have basis exposures and embedded options such as interest rate caps and floors. Such derivative markets are not yet liquid and additional time will allow for further basis and option market developments. Likewise, term SOFR has significant appeal to many financial firms and borrowers alike and the extension should enable time for these markets to develop.

Furthermore, there has been significant work by large banks, regional banks, community banks, and customers through the Credit Sensitivity Group regarding the development of a dynamic credit spread as a complement to SOFR. Extending certain LIBOR tenors to June 30, 2023 allows the many market participants time to evaluate the merits of a dynamic credit spread and effectively implement such rates and spreads.

While the proposal to extend certain USD LIBOR tenors is viewed as a positive, we believe that some consideration should be given to the timing of the IBA's announcement and/or coordination with the International Swaps and Derivatives Association (ISDA) and the Alternative Reference Rate Committee (ARRC) regarding the timing of the fixing of the spread adjustment. The IBOR Fallback Rate Adjustments Rule Book incorporated into the terms of the ISDA Fallbacks Supplement and the ISDA 2020 IBOR Fallbacks Protocol provides that the static credit spread adjustment (CSA) will be fixed as of the date of IBA's announcement regarding the permanent cessation of the relevant LIBOR tenors but would not be effective until the extended LIBOR cessation on June 30, 2023. ARRC has indicated the same timing will be applicable for the fixing of the CSA. There could be market volatility over that extended period, and analysis should be done to assess the impact and potential risks of fixing the CSA so far in advance.

We, the undersigned regional banking organizations, support IBA's efforts for the transition away from LIBOR to SOFR and the latest proposals.

Sincerely,

Capital One Financial Corporation

Citizens Financial Group, Inc.

Discover Financial Services

Fifth Third Bancorp

KeyCorp

M&T Bank Corporation

MUFG Union Bank, N.A.

PNC Bank, National Association

Regions Financial Corporation

Truist Financial Corporation

U.S. Bancorp



January 25, 2021

**Submitted electronically to [IBA@theice.com](mailto:IBA@theice.com)**

To whom it may concern,

SIFMA<sup>1</sup>, AFME<sup>2</sup>, and ASIFMA<sup>3</sup> are pleased to respond to this important consultation on the timeline for the cessation of published LIBOR fixings. Our members have been actively engaged in the LIBOR transition process. We appreciate that IBA is asking for market input on these critically important steps in the transition.

### **Background**

The consultation proposes that the publication of LIBOR fixings would end:

- after the publication of LIBOR on Friday December 31, 2021 for: EUR LIBOR - all tenors (Overnight, 1 Week, 1, 2, 3, 6 and 12 Months); CHF LIBOR - all tenors (Spot next, 1 Week, 1, 2, 3, 6 and 12 Months); JPY LIBOR - all tenors (Spot next, 1 Week, 1, 2, 3, 6 and 12 Months); GBP LIBOR - all tenors (Overnight, 1 Week, 1, 2, 3, 6 and 12 Months); and USD LIBOR - 1 Week and 2 Months; and
- after the publication of LIBOR on Friday June 30, 2023 for USD LIBOR - Overnight and 1, 3, 6 and 12 Months.

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<sup>1</sup> SIFMA is the voice of the U.S. securities industry. We represent the broker-dealers, banks and asset managers whose nearly 1 million employees provide access to the capital markets, raising over \$2.5 trillion for businesses and municipalities in the U.S., serving clients with over \$18.5 trillion in assets and managing more than \$67 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

<sup>2</sup> AFME is the voice of all Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. We represent the leading global and European banks and other significant capital market players. We advocate for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. AFME, with offices in London, Brussels and Frankfurt, is the European regional member of the GFMA.

<sup>3</sup> ASIFMA is an independent, regional trade association with over 140 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative and competitive Asian capital markets that are necessary to support the region's economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. ASIFMA based in Hong Kong is the Asia-Pacific regional member of the GFMA.

The consultation also states that “Based on current information from panel banks, IBA anticipates there being a representative panel for the continuation of these USD LIBOR settings through to June 30, 2023.”

### **We support the proposed cessation plan**

The finalization of the plan would provide needed certainty to market participants as to the timing of the end of LIBOR. Having a date certain will provide a timeline along which firms can structure their transition plans and budgets, and should encourage firms who have lagged behind in this transition to accelerate their progress. Finally, having a date certain will remove all doubt as to whether LIBOR will actually cease.

We support the primary USD fixings continuing through June 30, 2023. The additional time after the end of 2021 when other fixings cease is warranted and important given the size and scale of usage of USD LIBOR. We note that the proposed plan would allow a significant number of legacy USD LIBOR contracts to roll off naturally and provides more time for alternative solutions for legacy instruments to be determined and implemented. There are a large number of long-dated consumer and commercial loans, corporate bonds, and securitizations that will extend beyond June 30, 2023 and for which there is no easy modification or amendment strategy that can be deployed en masse. It will also provide more time for liquidity to build in markets upon which term rates may be derived, which is important for reasons including the inclusion of term rates in ARRC fallback waterfalls.

There is a need for market participants to continue the transition work away from USD LIBOR, and we strongly encourage policymakers to continue to provide guidance to the markets<sup>4</sup> and consider and implement state or national (as appropriate) legislative solutions for contracts that may mature beyond June 2023 and/or that may be practically difficult to amend. For example, the ARRC has proposed a legislative approach for use in the U.S. (that SIFMA strongly supports), and UK and European authorities are also planning legislative changes.<sup>5</sup>

We believe that global regulators should continue to coordinate their solutions so as to avoid conflicts of law and other inefficient outcomes. Given that one contract and/or its counterparties can be subject to different legislative and regulatory regimes, it is important that solutions undertaken in different countries lead to the same outcome for a given contract and its counterparties. This could include coordination on topics such as applicable scope, amendment mechanisms, safe harbors, etc.

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<sup>4</sup> E.g., with respect to what constitutes a “new contract” under the U.S. bank regulators’ statement about the cessation of new LIBOR activity by the end of 2021.

<sup>5</sup> ARRC legislation: <https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2020/ny-libor-legislation>, UK legislation: <https://www.fca.org.uk/news/statements/fca-consults-on-new-benchmark-powers>, EU legislation: [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_20\\_1376](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1376)

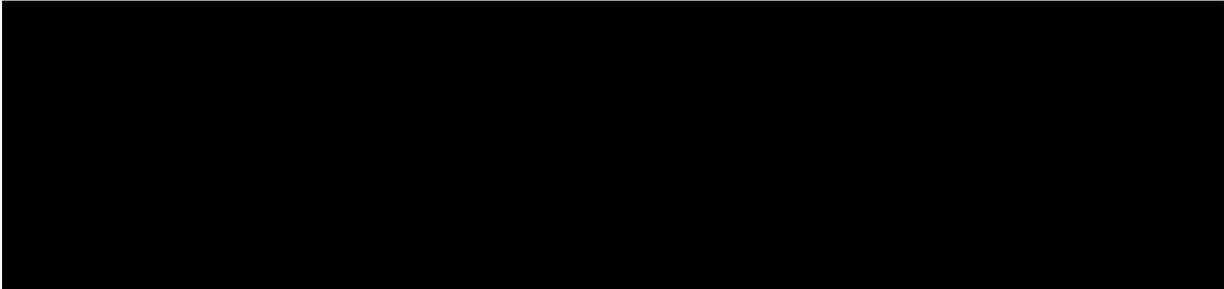
## Additional Considerations

Below we suggest a few additional points IBA and regulators should consider as this process moves forward.

- Further assurance on representativeness – We note the statement in the consultation that “Based on current information from panel banks, IBA anticipates there being a representative panel for the continuation of these USD LIBOR settings through to June 30, 2023.” We believe that it would be helpful for the IBA and the FCA to provide further clear and explicit assurances that the rates should remain “representative” until the finalized end dates.
- Nature of the Announcement of Consultation Results:
  - o *Timing:* We urge IBA to announce its results as soon as practical, in order to allow enough time for market participants to prepare for cessation of the non-USD tenors and, in the case of USD, to cease new production in 2021 given supervisory safety and soundness concerns with US bank LIBOR activities that continue after year end.
  - o *Definitiveness:* It should be definitive that each index will cease publication on its planned future cessation date, rather than before or after. The announcement needs to be clear so that market participants can determine its effect on transaction-level triggers such as those using ISDA or ARRC language. This definitiveness is required in order to allow market participants to understand with certainty (or near-certainty) how LIBOR-linked products will behave prior to and after this cessation date, and to risk-manage accordingly – thus minimizing the disruption caused by the transition.
  - o *Simultaneity and Comprehensiveness:* There should be one announcement that applies to all LIBOR indices, across all 5 currencies, and all tenors– there should not be different statements made at different times with respect to the various currencies or tenors.
  - o *Endorsement of Announcement:* To maximize the credibility of the announcement, we believe that the central banks and/or relevant authorities for each of the five currencies affected by this consultation should make clear that they are in agreement with the content of the statement. It will be helpful to market participants to know that there is a consensus among the relevant authorities as to how and when the cessation will take place.
- Clarity on ICE Swap Rates - We understand that a consequence of the plans to cease publication of LIBOR is that the LIBOR ICE Swap Rate publications will also cease at some point. We request that IBA provide the market with timely guidance on (i) what criteria it will use to establish when to discontinue the LIBOR ICE Swap Rates, and (ii) the expected timing of any such discontinuation

We appreciate this opportunity to provide feedback on this important consultation. Please contact [REDACTED] with any questions or to further discuss our views.

Regards,



SIFMA

AFME

ASIFMA

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Telephone +1 855 236 6106  
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Via electronic submission  
IBA@theice.com

ICE Benchmark Administration Limited  
Milton Gate  
60 Chiswell Street  
LONDON, EC1Y 4SA  
United Kingdom

January 25, 2021

To Whom It May Concern:

**RE: SOFR Academy Submission to ICE LIBOR Consultation on Potential Cessation**

SOFR Academy<sup>1</sup> appreciates the opportunity to share our perspective in response to the ICE Benchmark Administration Limited's (IBA) important consultation on potential cessation of the London Interbank Offered Rate (LIBOR)<sup>2</sup> published December 2020.

SOFR Academy is supportive<sup>3</sup> of the IBA's intention to cease publication after the publication of LIBOR on Friday December 31<sup>st</sup>, 2021, of the following LIBOR settings:

- EUR LIBOR - all tenors (Overnight, 1 Week, 1, 2, 3, 6 and 12 Months)
- CHF LIBOR - all tenors (Spot next, 1 Week, 1, 2, 3, 6 and 12 Months)
- JPY LIBOR - all tenors (Spot next, 1 Week, 1, 2, 3, 6 and 12 Months)
- GBP LIBOR - all tenors (Overnight, 1 Week, 1, 2, 3, 6 and 12 Months)
- USD LIBOR - 1 Week and 2 Months.

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<sup>1</sup> SOFR Academy is a U.S based education technology firm and market data provider. Our panel of advisors include experienced financial services professionals and academics from Harvard and MIT. We have partnered with Amazon Web Services to provide high-quality low-cost online education that empowers people, organizations and communities with the knowledge and skills to succeed in a financial ecosystem that does not rely on Interbank Offered Rates. For further information see [www.SOFR.org](http://www.SOFR.org)

<sup>2</sup> See ICE Benchmark Administration Limited's (IBA) consultation on potential cessation [https://www.theice.com/publicdocs/ICE\\_LIBOR\\_Consultation\\_on\\_Potential\\_Cessation.pdf](https://www.theice.com/publicdocs/ICE_LIBOR_Consultation_on_Potential_Cessation.pdf)

<sup>3</sup> See "SOFR Academy Supports Proposed Extension of USD LIBOR for Legacy Contracts" December 2<sup>nd</sup>, 2020 <https://sofracademy.com/sofr-academy-supports-proposed-extension-of-usd-libor-for-legacy-contracts/>

SOFR Academy believes the stability of the global financial system is, and should remain, of paramount concern. We are supportive of the IBA's intention to cease publication after the publication of LIBOR on Friday June 30<sup>th</sup>, 2023, of the following LIBOR settings (as calculated under the current Waterfall Methodology based on panel bank submissions):

- USD LIBOR - Overnight and 1, 3, 6 and 12 Months,

As the outcome of this consultation will have a material impact on IBOR program scope at financial institutions, we encourage the publication of the summary of consultation submissions as soon as possible to provide market participants with the maximum amount of preparation time.

We would be happy to discuss further and we thank you for your consideration of these comments.

Yours sincerely,





 SOFR Academy

Email 

Telephone 



January 25, 2021

Submitted via electronic mail to the ICE Benchmark Administration at: [IBA@theice.com](mailto:IBA@theice.com)

**Re: ICE LIBOR Consultation on Potential Cessation, December 2020**

The Structured Finance Association (“SFA”) appreciates the opportunity to respond to the December 2020 consultation<sup>1</sup> (“Consultation”) of the ICE Benchmark Administration (“IBA”), the regulated administrator of LIBOR, regarding the intention to cease publication of various LIBOR settings in connection with global efforts toward a transition from LIBOR to alternative rates.

SFA is a member-based trade group focused on improving and strengthening the structured finance market to help its members and public policymakers responsibly grow credit availability for consumers and businesses across all communities. The more than 370 institutional members of SFA represent a broad cross-section of structured finance market participants including consumer and commercial lenders, institutional investors, financial intermediaries, law firms, accounting firms, technology firms, trustees, rating agencies, and servicers.

SFA members recognize the complexities and difficulties of the transition from LIBOR and are supportive of efforts to ensure a transition as seamless as possible. USD LIBOR is currently used to determine the interest rate that consumers pay on some loan products often financed through securitization. For these reasons, SFA appreciates the IBA for working toward providing nearly at least a one-year advance notice of the date of publication cessation for each LIBOR setting. Further, SFA appreciates the IBA’s proposal to extend the publication for certain USD LIBOR settings beyond the proposed cessation of other LIBOR settings, given the significant prevalence of existing contracts indexed to those rates.

Specifically, the Consultation seeks feedback from market participants on the intention to cease publication of (i) certain LIBOR settings in multiple currencies to take effect after the publication of those LIBOR settings on December 31, 2021, and (ii) certain USD LIBOR settings (overnight and 1, 3, 6 and 12 Months) to take effect after the publication of LIBOR on June 30, 2023.

SFA supports the IBA’s proposal to cease publication of LIBOR settings according to the timeline described above and as detailed in the Consultation. Our members believe that this timeline will encourage forward movement on important steps while simultaneously providing more time and flexibility in preparing for the discontinuation of certain widely-used LIBOR settings. Due to the nature and structure of securitization transactions, it is widely understood by our members that

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<sup>1</sup> IBA’s consultation is available at: [https://www.theice.com/publicdocs/ICE\\_LIBOR\\_Consultation\\_on\\_Potential\\_Cessation.pdf](https://www.theice.com/publicdocs/ICE_LIBOR_Consultation_on_Potential_Cessation.pdf)

transactions supported by existing LIBOR-referencing contracts (“Legacy Transactions”) will be extremely difficult – if not impossible – to amend. In the absence of further solution development, due to this difficulty to amend contracts, most Legacy Transactions will result in a dispute amongst transaction parties upon the discontinuation of the LIBOR setting relevant to a contract. If the publication of the most prevalently used USD LIBOR settings were to continue through June 30, 2023, the number of Legacy Transactions facing such challenges upon the discontinuation of these LIBOR settings will be reduced.<sup>2</sup> SFA members believe that the proposal set forth in the Consultation will go a long way toward mitigating the challenges for legacy structured finance transactions, providing another year to work with policymakers to put in place a broad, legislative solution for Legacy Transactions in the U.S., thereby minimizing disruption to the economy.

It is important to recognize that this additional time will also allow for a more orderly transition for consumers and businesses with contracts linked to USD LIBOR. Notably, the USD LIBOR settings that are identified to be published into 2023 represent the benchmark rates currently underpinning the interest rates that millions of borrowers pay on some credit cards, residential mortgages, home equity lines of credit, reverse mortgages, and private student loans. Nevertheless, while the additional time will be a significant benefit for the transition of Legacy Transactions, it is estimated that more than \$10 trillion of long-dated Legacy Transactions will still be outstanding after June 2023.

In addition, the Consultation states that IBA anticipates there being a representative panel for the continuation of the identified USD LIBOR settings through to June 30, 2023. SFA members believe that it would be helpful to the broader market if IBA could provide clarity in the form of a written statement, or at least greater assurances, that those USD LIBOR rates will remain representative until June 30, 2023. To the extent IBA and the FCA are able to provide certainty on this, it would be a great help to market participants in planning for the transition.

In closing, it is incredibly important to the securitization industry and the broader floating rate market that the transition from LIBOR is handled in a thoughtful and coordinated fashion to minimize negative impacts for borrowers, lenders, and all market participants. The Consultation provides historical users of LIBOR with an important tool that, in combination with other solutions, can help ensure an orderly transition upon the discontinuance of each LIBOR setting. SFA strongly supports the IBA’s work on this matter and will continue to work with its members, stakeholders, and regulators in the U.S. and abroad to facilitate a smooth transition for Legacy Transactions.

\* \* \*

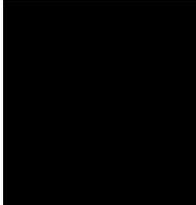
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<sup>2</sup> SFA members encourage stakeholders to understand the impact of more than one date of publication cessation for contracts indexed to more than one LIBOR setting, such as cross-currency transactions.

SFA appreciates your consideration of this letter and welcomes the opportunity to discuss further. If you have any questions about SFA's response to the Consultation, please contact [REDACTED]

[REDACTED]

Very truly yours,



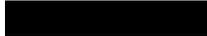
Structured Finance Association

Dear IBA

I'm writing to you to give feedback on the ICE LIBOR Consultation on Potential Cessation on behalf of Zuercher Kantonalbank.

As our expertise is primarily in the CHF market we limit our feedback to all CHF LIBOR tenors. Given the readiness of the CHF money and derivatives market and the lack of underlying transactions to determine the CHF LIBOR rates for various tenors we welcome the cessation of the CHF LIBOR after the publication on Friday December 31, 2021. Furthermore, we welcome the announcement of the cessation as soon as possible.

Kind regards,



Zürcher Kantonalbank