Benchmark Administration

ICE SWAP Rate® based on USD LIBOR® - Consultation on Potential Cessation

August 2022

Contents

Executive summary

ICE Swap Rate® is recognised as the principal global benchmark for swap rates and spreads for interest rate swaps. It represents the mid-price for interest rate swaps (the fixed leg) and spreads for interest rate swaps (the applicable mid-price minus a corresponding specified government bond yield), at particular times of day in USD, GBP and EUR in tenors ranging from 1 year to 30 years.

ICE Benchmark Administration Limited (IBA) is the benchmark administrator for both ICE Swap Rate and LIBOR, and is authorised and regulated by the Financial Conduct Authority (FCA) for the regulated activity of administering a benchmark.

IBA announced, on March 5, 2021, that, as a result of IBA not having access to input data necessary to calculate USD LIBOR settings on a representative basis beyond June 30, 2023, it will have to cease the publication of the USD LIBOR settings on that date unless the FCA exercises its powers in the UK Benchmarks Regulation to require IBA to continue publishing such LIBOR settings using a changed and unrepresentative methodology (also known as a "synthetic" basis).

IBA does not expect to be able to continue to publish USD LIBOR ICE Swap rate settings for which the USD LIBOR settings serve as the underlying rate for the floating leg of the relevant swap transaction after June 30, 2023 because IBA does not expect sufficient (or perhaps any) input data to be available based on eligible new interest rate swap transactions referencing USD LIBOR settings from this time.

IBA is therefore seeking feedback in this consultation on its intention to cease the publication of USD LIBOR ICE Swap Rate for all tenors immediately after publication on June 30, 2023.

A questionnaire is attached for completion. More general feedback by email or letter is also welcome. Please send your completed questionnaire to IBA@ice.com **by 17.00 London time on Friday, October 7, 2022**.

IBA will publish a feedback statement after the feedback period has closed.

Please note that this is not a consultation on the potential for the cessation of any benchmarks other than the USD LIBOR ICE Swap Rate settings. This consultation is not, and must not be taken to be, an announcement that IBA will cease or continue the publication of USD LIBOR ICE Swap Rate after June 30, 2023 or any other date.

About the ICE Swap Rate

Introduction

ICE Swap Rate® is recognised as the principal global benchmark for swap rates and spreads for interest rate swaps. It represents the mid-price for interest rate swaps (the fixed leg) and spreads for interest rate swaps (the applicable mid-price minus a corresponding specified government bond yield), at particular times of day in USD, GBP and EUR in tenors ranging from 1 year to 30 years

ICE Swap Rate is used as the exercise value for cash-settled swaptions, for close-out payments on early terminations of interest rate swaps, for some floating rate bonds and for valuing portfolios of interest rate swaps.

Methodology

ICE Benchmark Administration Limited (IBA) became the administrator of ICE Swap Rate in March 2015, and changed the methodology from a polled rate to one based on transaction quotes sourced from regulated, electronic trading venues. Movement interpolation, where a tenor is interpolated from the day-to-day movement in adjacent tenors (in certain conditions), was introduced into the methodology in November 2017, and the current "Waterfall" methodology was adopted in May 2020.

Each published ICE Swap Rate benchmark setting is currently calculated using eligible prices and volumes for specified interest rate derivative products, provided by trading venues in accordance with IBA's published "Waterfall" Methodology.

The first level of the Waterfall ("Level 1") uses eligible, executable prices and volumes provided by regulated, electronic, trading venues.

If these trading venues do not provide sufficient eligible input data to calculate a setting in accordance with Level 1 of the Methodology, then the second level of the Waterfall ("Level 2") uses eligible dealer to client prices and volumes displayed electronically by trading venues.

If there is insufficient eligible input data to calculate a setting in accordance with Level 2 of the Methodology, then the third level of the Waterfall ("Level 3") uses movement interpolation, where possible for applicable tenors, to calculate a setting.

Where it is not possible to calculate an ICE Swap Rate setting at Level 1, Level 2 or Level 3 of the Waterfall, then the ICE Swap Rate Insufficient Data Policy applies for that setting. This involves making a "No Publication" in respect of that ICE Swap Rate setting for that day.

LIBOR Transition and Cessation

LIBOR transition

Since July 2017, when the UK Financial Conduct Authority (the FCA) announced its intention that it would no longer be necessary to persuade, or compel, banks to submit to ICE LIBOR® (LIBOR) after December 31, 2021, market participants have engaged in a broad-based transition from LIBOR to alternative rates.

On November 30, 2020, U.S. and UK regulators made a series of announcements regarding the end of USD LIBOR.

On March 5, 2021, the FCA announced that the publication of LIBOR on a representative basis would cease for the 1W and 2M USD LIBOR settings immediately after December 31, 2021, and the remaining USD LIBOR settings (Overnight, 1M, 3M, 6M and 12M) immediately after June 30, 2023. The period between end-2021 and mid-2023 is primarily intended to allow legacy USD LIBOR contracts to mature.

Also on March 5, 2021, IBA announced that, as a result of not having access to input data necessary to calculate USD LIBOR settings on a representative basis beyond June 30, 2023, it will have to cease the publication of the USD LIBOR settings on that date unless the FCA exercises its powers in the UK Benchmarks Regulation to require IBA to continue publishing such LIBOR settings using a changed and unrepresentative methodology (also known as a “synthetic” basis).

The announcements by the FCA and IBA were in line with U.S. supervisory guidance, which has stressed that entering into new contracts that use USD LIBOR as a reference rate after December 31, 2021 would create safety and soundness risks. Key regulators have encouraged banks to cease entering into new contracts that use USD LIBOR as soon as practicable and stated that they will examine bank practices accordingly.

In addition, the Alternative Reference Rates Committee (ARRC) in the U.S published Recommended Best Practices which provided critical timelines for the transition from USD LIBOR to SOFR.

While it is expected that most legacy USD LIBOR contracts will be able to mature by mid-2023, a significant portion of contracts will mature after that, including those without effective means to replace LIBOR, as well as those that do not have fallbacks or reference LIBOR in fallbacks, allowing parties to opt in or out. The ARRC welcomed the passage of legislation in New York State to address this subset of contracts, providing legal clarity and lessening an otherwise potential burden on New York courts.

To facilitate transition, in March 2022 IBA introduced ICE Term SOFR rates that are designed to measure, on a daily basis, expected (i.e. forward-looking) SOFR rates over 1-, 3-, 6- and 12- month tenor periods. The rates are based on a Waterfall methodology using eligible data for specified SOFR-linked interest rate derivative products.

At present, ICE Term SOFR settings are expected to be calculated using input data at the second or third level of the Waterfall (i.e. eligible dealer-to-client prices and volumes for eligible SOFR-linked interest rate swaps displayed electronically by trading venues where available, and otherwise futures settlement prices in respect of designated contracts referencing SOFR, published on an electronic trading venue). IBA expects to use Level 1 input data (i.e. eligible, executable prices and volumes for eligible SOFR-linked interest rate swaps, provided by regulated, electronic, trading venues) to derive ICE Term SOFR when this is available in the future.

Cessation of ICE Swap Rate based on LIBOR

After December 31, 2021, all GBP LIBOR ICE Swap Rate settings ceased to be published. This followed a consultation in which IBA noted that it expected to consult on the potential cessation of USD LIBOR ICE Swap Rate in due course.

IBA expects to continue to determine and publish the Overnight and the 1-, 3-, 6- and 12-Months USD LIBOR settings using panel bank contributions under the "panel bank" LIBOR methodology until end-June 2023. The Overnight and 12-Months USD LIBOR settings will cease immediately after June 30, 2023.

IBA does not expect to be able to continue to publish USD ICE Swap rate settings based on LIBOR after June 30, 2023 because IBA does not expect input data to be available in respect of eligible new interest rate swap transactions referencing USD LIBOR settings at that time.

Request for feedback

In accordance with IBA's ICE Swap Rate Changes and Cessation Procedure, IBA is therefore seeking feedback in this consultation on its intention to cease the publication of GBP LIBOR ICE Swap Rate for all tenors immediately after publication on June 30, 2023.

Consultation Questions

IBA is seeking feedback on its intention to cease the publication of USD LIBOR ICE Swap Rate for all tenors immediately after publication on June 30, 2023.

Please use the attached questionnaire to respond to the following questions:

Q1 Do you agree with IBA's intention to cease the publication of all USD LIBOR ICE Swap Rate for all tenors immediately after publication on June 30, 2023?

Q2 If not, do you consider that USD LIBOR ICE Swap Rate should be ceased:

(a) as of an earlier date (if so, please specify the date and the reason for this date); or

(b) upon a particular set of circumstances (if so, please specify these and the reason; for example, where, due to a prolonged lack of liquidity in the underlying swaps market, IBA is required under its ICE Swap Rate Insufficient Data Policy to make a "No Publication" in respect of a USD LIBOR ICE Swap Rate setting for an extended period)?

Please provide your feedback to IBA at IBA@ice.com by 17.00 **London time on Friday, October 7, 2022**.

IBA may share the results of the consultation with the FCA. After the feedback period has closed, IBA will publish a feedback statement summarizing responses and any determinations resulting from the consultation.

IBA will publish completed questionnaires where agreement to such publication is provided by the respondent in the questionnaire. Where this is not provided, IBA will not publish the response but may still include the comments (without attribution) in its published feedback statement, and in published aggregated response totals.

Please note that this is not a consultation on the potential for the cessation of EUR ICE Swap Rate, GBP SONIA ICE Swap Rate, GBP SONIA Spread-Adjusted ICE Swap Rate, USD SOFR ICE Swap Rate or indicative USD SOFR Spread-Adjusted ICE Swap Rate 'Beta' settings - information about these settings can be found here. This consultation is not, and must not be taken to be, an announcement that IBA will cease or continue the publication of USD LIBOR ICE Swap Rate, or any other ICE Swap Rate settings, after June 30, 2023, or any other date.

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IBA is a benchmark administrator, authorised and regulated by the Financial Conduct Authority. At the end of the transition period in relation to the withdrawal of the UK from the EU, which ended at 11:00 pm on December 31, 2020, IBA ceased to be authorised as a benchmark administrator under the EU Benchmarks Regulation and is now authorised as a benchmark administrator under the UK Benchmarks Regulation, as may be amended from time.

IBA is not a manufacturer or distributor of any investment or product, whether based on its benchmark or other information or otherwise, for purposes of Directive 2014/65/EU and Regulation (EU) No 600/2014 (MiFID II) or Regulation (EU) No 1286/2014 (PRIIPs) (as such legislation has been on-shored into UK legislation).

IBA does not provide legal, tax or investment advice or recommendations regarding securities and no publication of benchmark and other information should be taken as constituting financial or investment advice or a recommendation of securities, an invitation or inducement to engage in any investment activity, including any securities transaction, or a financial promotion.

As a result, IBA is not responsible for carrying out any target market assessment or supplying any key information document in relation to its benchmark or other information or otherwise. IBA is not responsible for and makes no representation regarding the appropriateness or suitability of using or investing in any financial instrument or entering into any contract linked to, IBA's benchmark or other information, and any decision to engage in such use or to invest in any such instrument or to enter into any such contract should not be made in reliance on IBA's benchmark or other information. You should consult relevant disclosures by your counterparties or seek advice from professional advisors in relation to any intended use of, or investing in any financial instrument or entering into any contract linked to, IBA's benchmark or other information.

Any of: (i) the basis or methodology for calculation or determination, (ii) the input data used for calculation or determination, (iii) the underlying market or economic reality represented or measured, (iii) the name, or (iv) the administrator, in respect of any benchmark or other information may change, including, without limitation, pursuant to applicable law, an order of a regulatory or other competent authority or procedures undertaken in accordance with applicable laws, which may result in short-term or long-term changes to such benchmark or other information or to their characteristics Benchmark or other information may be expanded (for example to cover more currencies or tenors), reduced, changed, discontinued or terminated at any time, including, without limitation, pursuant to applicable law, an order of a regulatory or other competent authority or procedures undertaken in accordance with applicable law, or because of factors beyond IBA's control. Benchmark or other information may cease to be representative of the economic reality or underlying market that they are intended to measure or represent, but that may not be grounds for IBA invoking a contingency procedure and IBA may be required, pursuant to applicable laws or an order of a regulatory or other competent authority, to make changes and/or continue to publish the affected benchmark or other information. Use of a benchmark or other information may also be prohibited or restricted under applicable laws and regulation.

In particular, IBA may be compelled by the FCA to change the methodology and/or input data in respect of a LIBOR currency-tenor setting (including where it has notified the FCA of an intention to cease to publish such setting). Any LIBOR currency-tenor setting produced on this basis may not represent the underlying market or economic reality previously represented or measured by that LIBOR setting. IBA may be compelled to continue to publish that setting on this changed and unrepresentative basis under the name LIBOR. Where LIBOR is produced on the basis of such a changed methodology, its use in certain contracts by supervised entities may be prohibited. The FCA may prohibit some or all new use of LIBOR in certain contracts by supervised entities, where IBA has confirmed its intention to cease the benchmark.

Users of IBA's benchmark or other information should produce and maintain robust written fallback provisions and plans setting out the actions that would be taken in the event of material changes to or cessation of the relevant benchmark or other information. These should include, where feasible and appropriate, specifying alternative benchmarks that could be referenced as a substitute with reasons as to why they are suitable alternatives. Various factors, including those beyond IBA's control, might necessitate material changes to or cessation of a benchmark or other information. Please ensure that any financial instrument or contract that you invest in or are a party to linked to IBA's benchmark or other information contains such provisions and plans, and that you consider the potential impact on any relevant financial instrument or contract of a material change or cessation of the relevant benchmark or other information.

To the fullest extent permitted by applicable law, none of IBA, ICE or any Data Provider, or any of its or their affiliates will be liable in contract or tort (including negligence), for breach of statutory duty or nuisance or under antitrust laws, for misrepresentation or otherwise, in respect of any inaccuracies, errors, omissions, delays, failures, cessations or changes (material or otherwise) in IBA's benchmark and other information, or for any damage, expense or other loss (whether direct or indirect) you may suffer arising out of or in connection with IBA's benchmark and other information or any reliance you may place upon it. All implied terms, conditions and warranties, including without limitation as to quality, merchantability, fitness for purpose, title or non-infringement, in relation to IBA's benchmark and other information are hereby excluded to the fullest extent permitted by applicable law.

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General

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Questionnaire
ICE SWAP Rate® based on USD LIBOR® - Consultation on Potential Cessation

IBA is seeking feedback on its intention to cease the publication of USD LIBOR ICE Swap Rate for all tenors immediately after publication on June 30, 2023. Respondents are requested to provide feedback to IBA at IBA@ice.com **by 17.00 London time on Friday, October 7, 2022**.

This questionnaire requests specific feedback from market participants but more general feedback by email or letter is also welcome.

Contact Information

Name	
Position	
Organisation (if any)	
Telephone/Email **(if you agree to IBA contacting you with any queries regarding your responses)**	

Q1	**Do you agree with IBA's intention to cease the publication of USD LIBOR ICE Swap Rate for all tenors immediately after publication on June 30, 2023? Yes/No**

Q2	**If not, do you consider that USD LIBOR ICE Swap Rate should be ceased:** **a) as of an earlier date (if so, please specify the date and the reason for this date); or** **b) upon a particular set of circumstances (if so, please specify these and the reason; for example, where, due to a prolonged lack of liquidity in the underlying swaps market, IBA is required under its ICE Swap Rate Insufficient Data Policy to make a "No Publication" in respect of a USD LIBOR ICE Swap Rate setting for an extended period)?**

Do you agree to IBA contacting you with any queries regarding your responses?	Yes/No
Do you agree to your completed questionnaire being published by IBA?	Yes/No

Publication of this completed questionnaire and the feedback statement

IBA will publish completed questionnaires where agreement to such publication is provided by the respondent. Where this is not provided, IBA will not publish the response but may still include the comments (without attribution) in its published feedback statement, and in published aggregated response totals.

Additional pages

Please attach additional pages if required for your responses.

Number of additional pages	

Sending your response

Please email your completed questionnaire to IBA@ice.com by 17.00 London time **on Friday, October 7, 2022**