

ICE LIBOR ERROR POLICY

1. Introduction

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

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

2. Correcting a published a corrected rate

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

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

3. Considerations

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

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

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

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

4. Cut-off time for refix

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

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

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

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

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

5. Transparency of later or smaller errors

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

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

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

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

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

6. Policy review

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

July 2019

REPORTED ERRORS

The following table records the incidence of errors reported since IBA became the Administrator on 1 February 2014:

#	Date of error	Error by	Absolute impact on published ICE LIBOR	Refix applicable?
Reported to IBA between 1 February 2014 and 31 December 2014				
1	17.02.14	Calculation Agent	None	No
2	28.02.14	Panel Bank	None	No
3	01.05.14	Panel bank	0.0036%	No
4	04.06.14	Calculation Agent	None	No
5	14.10.14	Panel bank	0.00143%	No
6	20.10.14	Panel bank	0.00038%	No
7	21.11.14	Panel bank	None	No
Reported to IBA between 1 January 2015 and 31 December 2015				
8	09.02.15	Panel bank	None	No
9	17.03.15	Panel bank	0.0005%	No
10	19.03.15	Panel bank	0.0025%	No
11	14.04.15	Panel bank	None	No
12	27.04.15	Panel bank	0.0014%	No
13	14.05.15	Panel bank	None	No
14	06.10.15	Panel bank	None	No
15	19.10.15	Panel bank	Max: 0.001431%	No
16	07.12.15	Panel bank	0.004%	No
Reported to IBA between 1 January 2016 and 31 December 2016				
17	16.02.16	Panel bank	None	No
18	07.03.16	Panel bank	Max: 0.00143%	No
19	04.05.16	Panel bank	0.00029%	No
20	26.05.16	Panel bank	0.00025%	No
21	13.06.16	Panel bank	0.0014%	No
22	16.06.16	Panel bank	None	No
23	27.06.16	Panel bank	None	No
24	29.06.16	Panel bank	0.007%	No
25	29.06.16	Panel bank	None	No
26	14.07.16	Panel bank	None	No
27	28.07.16	Panel bank	None	No
28	04.08.16	Panel bank	None	No
29	18.08.16	Panel bank	None	No
30	30.08.16	Panel bank	None	No
31	02.09.16	Panel bank	None	No
32	06.09.16	Panel bank	None	No
33	12.09.16	Panel bank	None	No
34	19.09.16	Panel bank	None	No
35	17.10.16	Panel bank	None	No
36	01.11.16	Panel bank	None	No
37	30.11.16	Panel bank	None	No
38	22.12.16	Panel bank	None	No
Reported to IBA between 1 January 2017 and 31 December 2017				
39	09.01.17	Panel bank	None	No
40	02.02.17	Panel bank	0.0006%	No

41	20.02.17	Panel bank	0.00085%	No	
42	23.02.17	Panel bank	None	No	
43	15.03.17	Panel bank	None	No	
44	17.03.17	Panel bank	None	No	
45	30.03.17	Panel bank	None	No	
46	12.04.17	Panel bank	Max: 0.00679%	No	
47	09.05.17	Panel bank	None	No	
48	31.05.17	Panel bank	0.00277%	No	
49	08.06.17	Panel bank	Max: 0.00445%	No	
50	04.08.17	Panel bank	0.0011%	No	
51	09.08.17	Panel bank	None	No	
52	31.08.17	Panel bank	Max: 0.00286%	No	
53	06.09.17	Panel bank	Max: 0.00111%	No	
54	19.09.17	Panel bank	0.0011%	No	
55	06.10.17	Panel bank	None	No	
56	11.10.17	Panel bank	None	No	
57	17.10.17	Panel bank	0.00333%	No	
58	24.10.17	Panel bank	None	No	
59	01.11.17	Panel bank	None	No	
60	19.12.17	Panel bank	None	No	
Reported to IBA between 01 January 2018 and 31 March 2018					
61	12.01.18	Panel bank	None	No	
62	26.02.18	Panel bank	0.00250%	No	
63	28.02.18	Panel bank	None	No	
From 01 April 2018 to 31 March 2019, IBA did not publish error reports because of the transition to the Waterfall Methodology					
Items reported to IBA since 01 April 2019 which impacted the LIBOR calculation					
Month	No. of Impacting Items*	No. of Panel Banks	Smallest Impact	Greatest Impact	No. of Refix Applicable
April 2019	20	7	0.001bps	0.7bps	0
May 2019	13	7	0.0125bps	0.65bps	0
June 2019	21	5	0.0125bps	0.81429bps	0
July 2019	11	11	0.01429bps	0.55bps	0
August 2019	13	9	0.0125bps	0.66bps	0
September 2019	13	9	0.012bps	1.1375bps	0

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

Reduced submissions

The following table records when IBA has published LIBOR with fewer than the usual number of submissions since IBA became the Administrator on 1 February 2014:

#	Date of error	Number of banks	Number of days	Refix applicable?
1	28.09.16	1	1	No
1	21.03.19	1	1	No
