



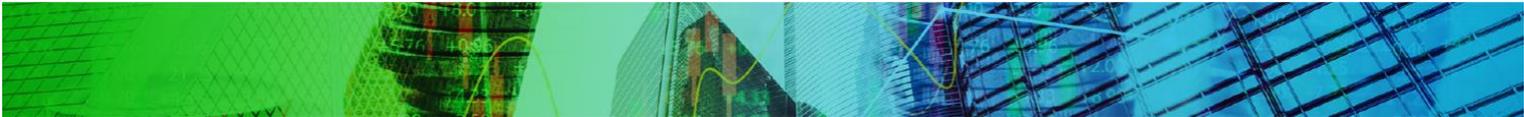
# **ICE Swap Rate<sup>®</sup> based on GBP LIBOR<sup>®</sup> - Consultation on Potential Cessation**

May 2021



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## Executive summary

ICE Swap Rate<sup>®</sup> (ISR) 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 three major currencies (USD, GBP and EUR) and in tenors ranging from 1 year to 30 years. The underlying rate for the floating leg of the relevant swap transactions is 3 Month and 6 Month GBP ICE LIBOR<sup>®</sup> (LIBOR<sup>®</sup>) for GBP LIBOR ICE Swap Rate, 3 Month USD LIBOR for USD LIBOR ICE Swap Rate, and 3 Month and 6 Month EURIBOR<sup>®</sup> for EUR ICE Swap Rate<sup>1</sup>.

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 (the 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 3 Month and 6 Month GBP LIBOR settings on a representative basis beyond December 31, 2021, it will have to cease the publication of the 3 Month and 6 Month GBP LIBOR settings on December 31, 2021, unless the FCA exercises its new powers (which are included in the Financial Services Act 2021 as amendments to 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).

On March 5, 2021, the FCA [announced](#) that it would consult on requiring IBA to continue the publication of the 3 Month and 6 Month GBP LIBOR settings beyond December 31, 2021 on an unrepresentative, “synthetic” basis<sup>2</sup>.

IBA does not expect to be able to continue to publish GBP LIBOR ICE Swap rate settings for which the 3 Month or 6 Month GBP LIBOR settings serve as the underlying rate for the floating leg of the relevant swap transaction after December 31, 2021, because IBA does not expect sufficient (or perhaps any) input data to be available based on eligible new interest rate swap transactions referencing GBP LIBOR settings from this time.

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 December 31, 2021.

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](mailto:IBA@ice.com) by 5pm London time on **Friday June 4, 2021**.

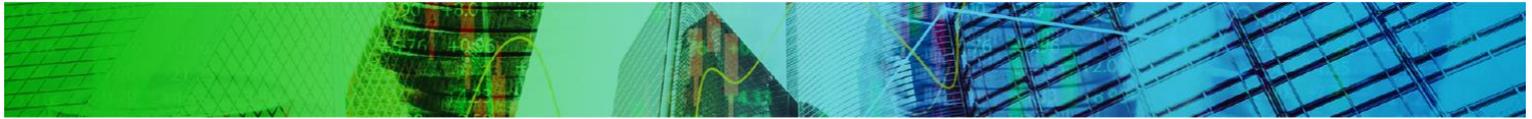
IBA will publish a feedback statement after the feedback period has closed.

Please note that this is not a consultation on the potential for the cessation of any ICE Swap Rate settings other than GBP LIBOR ICE Swap Rate (i.e. USD LIBOR ICE Swap Rate, EUR ICE Swap Rate or GBP SONIA ICE Swap Rate).

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<sup>1</sup> Since December 2020, IBA has also published a GBP SONIA ICE Swap Rate, where the underlying rate for the floating leg of the relevant swap transactions is Overnight SONIA compounded in arrears for twelve months using standard market conventions.

<sup>2</sup> The FCA has confirmed, based on undertakings received from the panel banks, that it does not expect that the 3 Month and 6 Month GBP LIBOR settings will become unrepresentative before December 31, 2021.



IBA expects to consult on the potential cessation of USD LIBOR ICE Swap Rate in due course<sup>3</sup>.

This consultation is not, and must not be taken to be, an announcement that IBA will cease or continue the publication of GBP LIBOR ICE Swap Rate, or any other ICE Swap Rate settings, after December 31, 2021, or any other date<sup>4</sup>.

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<sup>3</sup> IBA also announced, on March 5, 2021, that, as a result of IBA not having access to input data necessary to calculate 3 Month USD LIBOR setting on a representative basis beyond June 30, 2023, it will have to cease the publication of the 3 Month USD LIBOR setting on June 30, 2023, unless the FCA exercises its new powers (which are included in the Financial Services Act 2021 as amendments to the UK Benchmarks Regulation) to require IBA to continue publishing such LIBOR setting using a changed and unrepresentative methodology (also known as a “synthetic” basis). On March 5, 2021, the FCA also announced that it would continue to consider the case for requiring IBA to continue the publication of the 3 Month USD LIBOR settings beyond June 30, 2023 on an unrepresentative, “synthetic” basis.

<sup>4</sup> Please see consultation questions for the opportunity to comment regarding the process and timing for the potential for USD LIBOR ICE Swap Rate cessation in the future



## About the ICE Swap Rate

### Introduction

ICE Swap Rate® (ISR) 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 (the applicable mid-price minus a corresponding specified government bond yield), at particular times of day in three major currencies (USD, GBP and EUR) and in tenors ranging from 1 year to 30 years. The underlying rate for the floating leg of the relevant swap transactions is 3 Month and 6 Month GBP ICE LIBOR® (LIBOR®) for GBP LIBOR ICE Swap Rate, 3 Month USD LIBOR for USD LIBOR ICE Swap Rate, and 3 Month and 6 Month EURIBOR® for EUR ICE Swap Rate. Since December 2020, IBA has also published a GBP SONIA ICE Swap Rate, where the underlying rate for the floating leg of the relevant swap transactions is Overnight SONIA compounded in arrears for twelve months using standard market conventions.

ISR 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 ISR 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 ISR 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 ISR benchmark 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 ISR benchmark 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.

Transition from GBP LIBOR to SONIA<sup>5</sup> in derivatives markets has been supported by the Working Group on Sterling Risk-Free Reference Rates (the Working Group), which has developed [a set of priorities and a roadmap for transition by end-2021](#).

The Working Group has recently published a [paper](#) to support market participants in meeting its upcoming recommended milestones for ending new use of GBP LIBOR in derivatives. The first of these milestones was to cease initiation of new GBP LIBOR-linked linear derivatives by the end of March 2021, except for risk management of existing positions.

In February 2021, the Working Group also published a paper setting out a potential methodology using SONIA-based rates which could form [a replacement for GBP LIBOR ISR](#).

In March 2021, the FCA and the Prudential Regulation Authority published a joint "[Dear CEO](#)" [letter](#) setting out their expectation that all firms would meet the milestones of the Working Group and the LIBOR transition targets of other working groups and relevant supervisory authorities, as appropriate.

To facilitate transition, IBA introduced, in December 2020, a suite of GBP SONIA ISR tenors with overnight SONIA compounded in arrears for twelve months as the underlying rate for the floating leg of the relevant swap transactions. IBA determines GBP SONIA ISR settings using the published ICE Swap Rate 'Waterfall' methodology and makes these available for the same tenors and at the same time as the current GBP LIBOR ISR settings<sup>6</sup>.

The Working Group on Sterling Risk-Free Reference Rates has [published](#) recommended milestones:

- By end-Q1 2021, cease initiation of new GBP LIBOR-linked linear derivatives\* that expire after the end of 2021;
- By end-Q2 2021, cease initiation of new GBP LIBOR-linked non-linear derivatives\* that expire after the end of 2021;
- During Q2/Q3 2021, cease initiation of new cross-currency derivatives with a LIBOR-linked sterling leg\*, that expire after the end of 2021; and
- Progress active conversion of all legacy GBP LIBOR contracts where viable through to completion by end-Q3 2021.

\* Except for risk management of existing positions

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<sup>5</sup> SONIA has been recommended as the preferred alternative near risk free rate for use in Sterling derivatives and relevant financial contracts. See <https://www.bankofengland.co.uk/markets/sonia-benchmark>.

<sup>6</sup> IBA also intends to produce a USD SOFR ICE Swap Rate in the future.



LCH Group (LCH) has [announced](#) that it expects to run a conversion process in late 2021 for the LIBOR contracts in the currencies which will cease to be published by IBA after the end of 2021.

### **LIBOR cessation**

Following a separate consultation process, IBA [announced](#), on March 5, 2021, that, in the absence of sufficient panel bank support and without the intervention of the FCA to compel continued panel bank contributions to LIBOR, it will not be possible for IBA to publish LIBOR settings beyond certain dates on a representative basis, including the 3 Month and 6 Month GBP LIBOR settings beyond December 31, 2021.

As a result of IBA not having access to input data necessary to calculate 3 Month and 6 Month GBP LIBOR settings on a representative basis beyond December 31, 2021, IBA announced that it will have to cease the publication of the 3 Month and 6 Month GBP LIBOR settings on December 31, 2021, unless the FCA exercises its new powers (which are included in the Financial Services Act 2021 as amendments to the UK Benchmarks Regulation) to require IBA to continue publishing such LIBOR settings using a changed, unrepresentative methodology (also known as a “synthetic” basis).

On March 5, 2021, the FCA announced that it would consult on using its powers to require IBA to continue the publication of the 3 Month and 6 Month GBP LIBOR settings beyond December 31, 2021 on an unrepresentative, “synthetic” basis<sup>7</sup>.

IBA does not expect to be able to continue to publish GBP ICE Swap rate settings for which the 3 Month or 6 Month LIBOR settings serve as the underlying rate for the floating leg of the relevant swap transaction after December 31, 2021, because IBA does not expect sufficient (or perhaps any) input data to be available based on eligible new interest rate swap transactions referencing GBP LIBOR settings from this time.

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 December 31, 2021.

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<sup>7</sup> The FCA has confirmed, based on undertakings received from the panel banks, that it does not expect that the 3 Month and 6 Month GBP LIBOR settings will become unrepresentative before December 31, 2021.



## Consultation Questions

IBA is seeking feedback on its intention to cease the publication of GBP LIBOR ICE Swap Rate for all tenors immediately after publication on December 31, 2021.

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

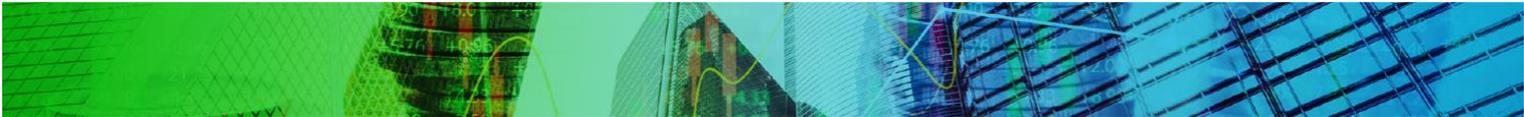
- Q1 Do you agree with IBA's intention to cease the publication of all GBP LIBOR ICE Swap Rate for all tenors immediately after publication on December 31, 2021?
- Q2 If not, do you consider that GBP LIBOR ICE Swap Rate should be ceased:
- a) as of an earlier date (if so please specify the date and the 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 GBP LIBOR ICE Swap Rate setting for an extended period)?
- Q3 Do you have any additional comments about the potential for GBP LIBOR ICE Swap Rate cessation?
- Q4 Do you have any comments regarding the process and timing for the potential for USD LIBOR ICE Swap Rate cessation in the future?

Please provide your feedback to IBA at [IBA@ice.com](mailto:IBA@ice.com) by **5pm London time on Friday June 4, 2021**.

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 any ICE Swap Rate settings beyond GBP LIBOR ICE Swap Rate (i.e. USD LIBOR ICE Swap Rate, EUR ICE Swap Rate or GBP SONIA ICE Swap Rate). This consultation is not, and must not be taken to be, an announcement that IBA will cease or continue the publication of GBP LIBOR ICE Swap Rate, or any other ICE Swap Rate settings, after December 31, 2021, or any other date.



## Disclaimers and Information

**PLEASE ENSURE YOU READ THE BELOW INFORMATION AND DISCLAIMERS CAREFULLY. PLEASE ENSURE YOU TAKE SPECIFIC AND PROFESSIONAL LEGAL, TAX, REGULATORY AND FINANCIAL ADVICE AS APPROPRIATE BEFORE USING, OR INVESTING IN ANY FINANCIAL INSTRUMENT OR ENTERING INTO ANY CONTRACT LINKED TO, ICE BENCHMARK ADMINISTRATION LIMITED'S BENCHMARK OR OTHER INFORMATION**

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Historical benchmark and other information may not be indicative of future information or performance. None of IBA, Intercontinental Exchange, Inc. (ICE) or any third party that provides data used to administer or determine any benchmark and other information (a Data Provider), or any of its or their affiliates, makes any claim, prediction, warranty or representation whatsoever, expressly or impliedly, as to the timeliness, accuracy or completeness of its benchmark or other information, the results to be obtained from the use of its benchmark or other information, or as to the appropriateness or suitability of any such benchmark or other information for any particular purpose to which it might be put.

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.

The "SONIA" mark is used under licence from the Bank of England (the benchmark administrator of SONIA), and the use of such mark does not imply or express any approval or endorsement by the Bank of England. "Bank of England" and "SONIA" are registered trade marks of the Bank of England.



## General

[Intercontinental Exchange, Inc.](#) (NYSE: ICE) is a Fortune 500 company that designs, builds and operates digital networks to connect people to opportunity. We provide financial technology and data services across major asset classes that offer our customers access to mission-critical workflow tools that increase transparency and operational efficiencies. We operate [exchanges](#), including the [New York Stock Exchange](#), and [clearing houses](#) that help people invest, raise capital and manage risk across multiple asset classes. Our comprehensive fixed income [data services](#) and execution capabilities provide information, analytics and platforms that help our customers capitalize on opportunities and operate more efficiently. At [ICE Mortgage Technology](#), we are transforming and digitizing the U.S. residential mortgage process, from consumer engagement through loan registration. Together, we transform, streamline and automate industries to connect our customers to opportunity.

Trademarks of ICE and/or its affiliates include Intercontinental Exchange, ICE, ICE block design, NYSE and New York Stock Exchange. Information regarding additional trademarks and intellectual property rights of Intercontinental Exchange, Inc. and/or its affiliates is located [here](#). Key Information Documents for certain products covered by the EU Packaged Retail and Insurance-based Investment Products Regulation can be accessed on the relevant exchange website under the heading “Key Information Documents (KIDS).”

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 -- Statements in this document regarding ICE's business that are not historical facts are "forward-looking statements" that involve risks and uncertainties. For a discussion of additional risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see ICE's Securities and Exchange Commission (SEC) filings, including, but not limited to, the risk factors in ICE's Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on February 4, 2021.

## Questionnaire ICE Swap Rate® based on GBP LIBOR® - Consultation on Potential Cessation

IBA is seeking feedback on its intention to cease the publication of GBP LIBOR ICE Swap Rate for all tenors immediately after publication on December 31, 2021. Respondents are requested to provide feedback to IBA at [IBA@ice.com](mailto:IBA@ice.com) by 5pm London time on Friday June 4, 2021.

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

### Contact Information

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

<b>Q1</b>	<b>Do you agree with IBA's intention to cease the publication of GBP LIBOR ICE Swap Rate for all tenors immediately after publication on December 31, 2021?</b>



<b>Q2</b>	<b>If not, do you consider that GBP LIBOR ICE Swap Rate should be ceased:</b>  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 GBP LIBOR ICE Swap Rate setting for an extended period)?
<b>Q3</b>	<b>Do you have any additional comments about the potential for GBP LIBOR ICE Swap Rate cessation?</b>
<b>Q4</b>	<b>Do you have any comments regarding the process and timing for the potential for USD LIBOR ICE Swap Rate cessation in the future?</b>



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

<b>Number of additional pages</b>	
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**Sending your response**

Please email your completed questionnaire to [IBA@ice.com](mailto:IBA@ice.com) by 5pm London time on **Friday June 4, 2021**.