



ICE SWAP Rate[®] based on USD LIBOR[®] - Feedback Statement on Consultation on Potential Cessation

November 2022



Contents

Executive Summary	3
About the ICE Swap Rate	5
Consultation Feedback and Conclusion	6
List of Non-confidential Responses	7
Disclaimers and Information	8



Executive Summary

Background

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 therefore sought feedback in a consultation on an intention to cease the publication of USD LIBOR ICE Swap Rate for all tenors immediately after publication on June 30, 2023. IBA asked for feedback by 17.00 London time on Friday October 07, 2022.

IBA stated that completed questionnaires would be published unless the respondent requested confidentiality. The non-confidential responses are available on IBA’s website: [Consolidated Public Responses](#).

Responses

IBA received 13 responses to the consultation. Twelve of these agreed 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. Many responses emphasized the importance that the rate remain available until that time in order to give market participants sufficient time to transition away from USD LIBOR ICE Swap Rate towards a SOFR based rate.

Conclusion

Based on the feedback received, IBA is announcing today that it will cease the publication of all USD LIBOR ICE Swap Rate “runs” (i.e. USD LIBOR Rates 1100, USD LIBOR Spreads 1100 and USD LIBOR 1500) for all tenors immediately after publication on June 30, 2023.

Users of USD LIBOR ICE Swap Rate benchmark should take account of its upcoming cessation and ensure their contractual and other arrangements linked to the benchmark contain appropriate fallback or other arrangements to address the cessation.



Please note that the consultation was not a consultation on the potential for the cessation of any ICE Swap Rate settings other than USD LIBOR ICE Swap Rate.

Other than the above announcement regarding the cessation of the USD LIBOR ICE Swap Rate, none of the consultation, this feedback statement, or any related press release is, or should be taken to be or include, an announcement that IBA will cease or continue the publication of any other ICE Swap Rate settings (i.e. EUR ICE Swap Rate or GBP SONIA 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.



Consultation Feedback and Conclusion

Feedback

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

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?

Twelve of 13 written responses supported IBA's intention to cease the publication of all USD LIBOR ICE Swap Rate for all tenors immediately after publication on June 30, 2023. IBA also received oral feedback from one entity supporting the proposal.

One respondent would be very opposed to an earlier cessation.

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)?*

One respondent did not agree with IBA's intended cessation date and considered that USD LIBOR ICE Swap Rate should be ceased as of the date of the CCP USD LIBOR swap conversions, anticipating that the underlying market will be very thin afterwards.

Conclusion

Based on the feedback received, IBA is announcing today that it will cease the publication of all USD LIBOR ICE Swap Rate "runs" (i.e. USD LIBOR Rates 1100, USD LIBOR Spreads 1100 and USD LIBOR 1500) for all tenors immediately after publication on June 30, 2023.

Users of the USD LIBOR ICE Swap Rate benchmark should take account of its upcoming cessation and ensure their contractual and other arrangements linked to the benchmark contain appropriate fallback or other arrangements to address the cessation.



List of Non-confidential Responses

In the consultation paper, IBA noted 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. Their responses are available on IBA's website: [Consolidated Public Responses](#).

For data privacy reasons, the names of individuals are redacted.

- Aegon NV
- Citibank
- Standard Chartered Bank



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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.

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