

IMPORTANT INFORMATION FOR LIBOR® LICENSEES

This Important Information for LIBOR Licensees is being provided to you with your licence agreement for LIBOR (your "Licence Agreement"), entered into with ICE Benchmark Administration Limited ("IBA"). The purpose of this document is to provide information regarding:

1. LIBOR cessation and "synthetic" LIBOR;
2. The impact of LIBOR cessation and "synthetic" LIBOR on your Licence Agreement; and
3. Considerations regarding your use of LIBOR and "synthetic" LIBOR in the future.

1. LIBOR Cessation and "Synthetic" LIBOR

Background

IBA [consulted](#) in December 2020 on its intention to cease publishing the Overnight, and the 1-, 3-, 6- and 12-Months US Dollar LIBOR settings at the end of June 2023 and all other LIBOR settings at the end of December 2021. IBA published its [feedback statement](#) in March 2021.

IBA advised that a majority of the LIBOR panel banks had communicated to IBA that they would not be willing to continue contributing input data to LIBOR after 31 December 2021 (or 30 June 2023 in the case of the Overnight and the 1-, 3-, 6- and 12-Months US Dollar LIBOR settings). The UK Financial Conduct Authority ("FCA") also advised that it would not require any panel banks to continue to contribute to LIBOR beyond these dates.

As a result, IBA advised that it would be unable to publish the relevant LIBOR settings on a representative basis after such dates and, accordingly, would have to cease the publication of the relevant LIBOR settings after such dates, unless the FCA exercised its anticipated new legal powers under the UK Benchmarks Regulation (the "BMR") to require IBA to continue publishing such LIBOR settings using a changed, "synthetic" methodology.¹

LIBOR Cessation

On 5 March 2021, the FCA [announced](#) that it has no intention to use its anticipated new legal powers in respect of the following LIBOR settings, and accordingly announced the cessation of the following settings:

- immediately after 31 December 2021:
 - all 7 Euro LIBOR settings (Overnight, 1 Week, 1-, 2-, 3-, 6- and 12-Months);
 - all 7 Swiss Franc LIBOR settings (Spot Next, 1 Week, 1-, 2-, 3-, 6- and 12-Months);
 - the Spot Next, 1 Week, 2 Months and 12 Months Japanese Yen LIBOR settings;
 - the Overnight, 1 Week, 2 Months and 12 Months Sterling LIBOR settings; and
 - the 1 Week and 2 Months US Dollar LIBOR settings; and
- immediately after 30 June 2023, the Overnight and 12 Months US Dollar LIBOR settings.

IBA will not be able to determine or publish these LIBOR settings after 31 December 2021 (or 30 June 2023, in the case of the Overnight and 12 Months US Dollar LIBOR settings) and you will not be able to receive or license any new values for these ceasing LIBOR settings from IBA under the terms of your Licence Agreement after these dates.

¹ Please see the FCA's LIBOR transition [resources](#) for statements, speeches and other publications regarding LIBOR transition and the FCA's power to compel the publication of "synthetic" LIBOR.

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"Synthetic" LIBOR

The FCA [consulted](#) in June 2021 on using its new and enhanced legal powers under the BMR to require IBA to continue publishing the following LIBOR settings for a further period after 31 December 2021 under a changed, "synthetic" methodology, noting that any settings published under a "synthetic" methodology would no longer be representative of the underlying market or economic reality the setting is intended to measure, including for the purposes of the BMR:

- the 1-, 3- and 6-Months Japanese Yen LIBOR settings²; and
- the 1-, 3- and 6-Months Sterling LIBOR settings.

On 29 September 2021, the FCA [announced](#) that it will [compel](#) IBA to continue the publication of the 1-, 3- and 6-Months Sterling and Japanese Yen LIBOR settings under a changed, unrepresentative, "synthetic" methodology for the duration of 2022.

The FCA [announced](#) that it has confirmed the changed methodology that it will require IBA to use to determine the "synthetic" settings as:

- for 1-, 3- and 6-Months Sterling LIBOR, the relevant ICE Term SONIA Reference Rate provided by IBA, and for 1-, 3- and 6-Months Japanese Yen LIBOR, the Tokyo Term Risk Free Rates (TORF) provided by QUICK Benchmarks Inc. (adjusted to be on a 360 day count basis); plus
- the respective ISDA fixed spread adjustment (that is published for the purpose of ISDA's IBOR Fallbacks Supplement and Protocol) for each of these six LIBOR settings.³

The FCA has [notified](#) IBA that it has designated these six LIBOR settings as "Article 23A benchmarks" with effect from 1 January 2022, which it must do in order to enable it to require these changes. The FCA also noted that the first non-representative publication of these six "synthetic" LIBOR settings under the changed, unrepresentative, "synthetic" methodology will be on 4 January 2022.

IBA will not be able to determine or publish the 1-, 3- and 6-Months Sterling and Japanese Yen LIBOR settings after 31 December 2021 under the current "panel bank" LIBOR methodology (i.e. using panel bank contributions). These LIBOR settings will be published after that date only under the changed, "synthetic", unrepresentative methodology described in the FCA's [draft Article 23D Notification](#), which will no longer be based on panel bank contributions.

2. Your Licence Agreement for the remainder of 2021 and 2022

For the remainder of the 2021 calendar year:

- The FCA has [confirmed](#) that, based on undertakings it received from the panel banks, it does not expect that any LIBOR settings will become unrepresentative before 31 December 2021 (or 30 June 2023, in the case of the Overnight and the 1-, 3-, 6- and 12-Months US Dollar LIBOR settings)⁴. Therefore, IBA

² The FCA advised that it intended to compel the publication of "synthetic" Japanese Yen LIBOR settings only for one 12-month period until end-2022, after which point the publication of Japanese yen LIBOR will cease.

³ Please see the FCA's draft Article 23D notice for full details of the changes the FCA will impose on IBA regarding the way that the 1-, 3- and 6-Months Sterling and Japanese Yen LIBOR settings are to be determined after 31 December 2021. The FCA will require IBA to publish each "synthetic" LIBOR setting at or around 11:55 am London time on each applicable London business day, except for London public holidays (as is the case for "panel bank" LIBOR).

⁴ All currency panels are expected to remain as currently constituted for all LIBOR settings until 31 December 2021, and Bank of America N.A. (London Branch), Barclays Bank plc, Citibank N.A. (London Branch), Cooperatieve Rabobank U.A., Cr dit Agricole Corporate & Investment Bank, Credit Suisse AG (London Branch), Deutsche Bank AG (London Branch), HSBC Bank plc, JPMorgan Chase Bank, N.A. (London Branch), Lloyds Bank plc, MUFG Bank, Ltd, Royal Bank of Canada, SMBC Bank International plc, The Norinchukin Bank and UBS AG are expected to remain on the US Dollar panel for the continuing US Dollar LIBOR settings until end-June, 2023, with National Westminster Bank plc expected to leave the US Dollar panel after 31 December 2021.

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expects to continue to determine and publish all LIBOR settings, including the 1-, 3- and 6-Months Sterling and Japanese Yen LIBOR settings, until the end of 2021 under the current "panel bank" LIBOR methodology (i.e. using panel bank contributions), and expects that you will be able to receive and license these settings during 2021, subject to the terms of your Licence Agreement.

For the 2022 calendar year:

- Licensees of Euro or Swiss Franc LIBOR settings will not be able to receive or license any new Euro or Swiss Franc LIBOR settings under their licence agreements. IBA does not plan on issuing new invoices for 2022 in respect of single currency licences for Euro or Swiss Franc LIBOR and will terminate these licences in due course. Users who wish to maintain Euro or Swiss Franc LIBOR single currency licences (for the use of historical data) should contact IBA.⁵
- From the date IBA is compelled to publish "synthetic" 1-, 3- and 6-Months Sterling and Japanese Yen LIBOR settings under a changed, unrepresentative, "synthetic" methodology, which will no longer be based on panel bank contributions (the FCA has noted that the first publication of these "synthetic" LIBOR settings is expected to be on 4 January 2022), licensees of Sterling or Japanese Yen LIBOR, respectively, will be able to receive and license these "synthetic", unrepresentative, LIBOR settings, subject to the terms of their licence agreements.^{6,7}
- Licensees of US Dollar LIBOR settings are expected to be able to continue to receive and license Overnight and 1-, 3-, 6- and 12-Months US Dollar LIBOR tenors, which will continue to be calculated under the current "panel bank" LIBOR methodology (i.e. using panel bank contributions), subject to the terms of their licence agreements.^{8,9}
- Licensees of multiple LIBOR currencies are expected to be able to receive and license:
 - Overnight and 1-, 3-, 6- and 12-Months US Dollar LIBOR settings, which will continue to be calculated under the current "panel bank" LIBOR methodology (i.e. using panel bank contributions); and
 - "Synthetic" 1-, 3- and 6-Months Sterling and Japanese Yen LIBOR settings, determined under a changed, unrepresentative, "synthetic" methodology, which will no longer be based on panel bank contributions, from the date IBA is compelled to publish these by the FCA (the FCA has noted that the first publication of these "synthetic" LIBOR settings is expected to be on 4 January 2022),subject to the terms of their licence agreements.¹⁰

⁵ Historical (access only) licences will continue to be available for these settings.

⁶ The FCA has stated that it does not intend to renew the requirement to compel publication in respect of the "synthetic" 1-, 3- and 6-Months Japanese Yen LIBOR settings, and that publication of these settings will therefore cease at end-2022.

⁷ No new Overnight/Spot Next, 1 Week, 2 Months or 12 Months Sterling or Japanese Yen LIBOR settings will be available to licensees after 31 December 2021. Users who wish to maintain Sterling or Japanese Yen LIBOR single currency licences for the use of historical data should contact IBA. Historical (access only) licences will continue to be available for these settings.

⁸ No new 1 Week or 2 Months US Dollar LIBOR settings will be available to licensees after 31 December 2021. Users who wish to maintain US Dollar LIBOR single currency licences for the use of historical data should contact IBA. Historical (access only) licences will continue to be available for these settings.

⁹ The FCA has confirmed that it expects that the Overnight and the 1-, 3-, 6- and 12- Months US Dollar LIBOR settings will continue to be published on a representative basis, under the current "panel bank" LIBOR methodology (i.e. using panel bank contributions) until end-June 2023. The FCA has also advised that it will continue to consider the case for using its new and enhanced legal powers to require IBA to continue the publication of the 1-, 3- and 6 Months US Dollar LIBOR settings after 30 June 2023, under a "synthetic", unrepresentative methodology.

¹⁰ Licensees of multiple LIBOR currencies will not be able to receive or license any new Euro or Swiss Franc LIBOR settings, any new Overnight/Spot Next, 1 Week, 2 Months, or 12 Months Sterling or Japanese Yen LIBOR settings, or any new 1 Week, or 2 Months US Dollar LIBOR settings after 31 December 2021. Users who wish to maintain multi-currency licences for the use of historical data should contact IBA. Historical (access only) licences will continue to be available for these settings. See also footnote 8.

3. Using LIBOR and “Synthetic” LIBOR after 2021

Under the BMR, new use of Article 23A benchmarks, including the “synthetic” 1-, 3- and 6-Months Sterling and Japanese Yen LIBOR settings, by UK-supervised entities in regulated financial contracts, instruments and/or investment fund performance measurement will be prohibited. The FCA has published statements of policy in relation to its power [to permit the continued legacy use of Article 23A benchmarks](#) by UK-supervised entities in equivalent circumstances. Following a [consultation](#), on 16 November 2021, the FCA [confirmed](#) it will [permit](#) all legacy use of 1-, 3- and 6-Months Sterling and Japanese Yen “synthetic” LIBOR by UK-supervised entities other than in “Cleared Derivatives” (whether directly or indirectly cleared).

The FCA has also published a statement of policy in relation to its power to [prohibit the new use of a critical benchmark the provision of which is to cease](#). The FCA confirmed on 16 November 2021, following consultation, that from 1 January 2022, it will [prohibit](#) the new use by UK-supervised entities in regulated financial contracts, instruments and/or investment fund performance measurement of the continuing Overnight and 1-, 3-, 6- and 12-Months US Dollar LIBOR settings, subject to certain exceptions.

The FCA has published the [modifications](#) it proposes to make to the BMR as it will apply to 1-, 3- and 6-Months Sterling and Japanese Yen “synthetic” LIBOR, having regard to the effects of its designation of these six settings as “Article 23A benchmarks” and the imposition of its proposed changes to the methodology for these settings. These modifications are proposed to take effect from 1 January 2022.

Please see the FCA's LIBOR transition [website](#) for the FCA's latest announcements in relation to LIBOR transition and information on how it has exercised, and intends to exercise, its regulatory powers in relation to LIBOR.

The use of LIBOR in jurisdictions outside the United Kingdom and by entities subject to the oversight of other regulatory authorities may also be restricted or prohibited by law in those jurisdictions and by the requirements of such regulatory authorities.

Please ensure you are prepared for the cessation or unrepresentativeness of LIBOR settings on and from the dates set out above, any restrictions on use, and the continued publication of the 1-, 3- and 6-Months Sterling and Japanese Yen LIBOR settings under a “synthetic” methodology.

Please note that various jurisdictions have passed or are in the process of passing legislation to facilitate the orderly cessation of and transition from LIBOR, and many contractual arrangements under various governing laws include LIBOR “fallback” provisions. These legislative and contractual provisions may operate in a variety of circumstances, including on the cessation or unrepresentativeness of the relevant LIBOR settings.

The information in this document is provided for information purposes only and is not intended to be and should not be relied upon as legal, financial or any other form of advice regarding your use of LIBOR. Please ensure you take legal and financial advice in all relevant jurisdictions to ensure you understand and are prepared for the impact of the cessation or unrepresentativeness of any LIBOR settings on you and your counterparties, and to ensure you understand the implications of the FCA's new powers and their exercise of those powers under the BMR.