ICE LIBOR CONTINGENCY POLICY / PROCEDURE

1. Introduction

This document sets out the framework of steps that ICE Benchmark Administration Limited (IBA) would take to invoke the contingency arrangements set out below in the event of a short-term inability to produce ICE LIBOR (LIBOR).

It should be noted that the contingency arrangements are designed to apply when other measures have been attempted, particularly the Reduced Submissions Policy. If the issue is known and can be fixed in the near future, the Contingency Procedure will not be invoked but the Reduced Submissions Policy will apply.

The purpose of this Contingency Policy/Procedure is to:

- Ensure that the contingency measures are invoked appropriately, quickly, smoothly and consistently;
- Ensure that contingency decisions are taken at an appropriately senior level within IBA and in coordination with relevant stakeholders; and
- Consider any remedial measures that may avoid recurrence of the need to invoke the contingency measures.

It should be noted that the steps below would be adjusted as required by IBA depending on the circumstances.

2. Background

Shortly after IBA became the administrator of LIBOR, a Working Group of the LIBOR Oversight Committee was established to consider possible contingency measures to ensure that LIBOR could continue to be published in cases of extreme market stress.

After examining a range of possible solutions, the Working Group concluded that no single solution could satisfy the market's needs for a rate without incurring risks and limitations.

The LIBOR Oversight Committee endorsed the Working Group's proposal for a contingency rate composed of a 'fixed/historical' spread over a Related Rate for a temporary time period.

3. Overview of the Reduced Submissions Policy

The Reduced Submissions Policy would apply if fewer submissions than usual are received.

In accordance with that Policy, IBA would calculate LIBOR using fewer submissions than usual.

If four or fewer bank submissions were received, IBA would publish the previous day's LIBOR rates for the affected currency/ies.

The Reduced Submissions Policy is available on IBA's website.

4. Contingency steps

4.1 Informing and consulting

The number of days that the previous day's LIBOR could be used would depend on the prevailing circumstances and practicalities.

If the previous day's LIBOR rates have to be published for any currency/ies for any day and if the circumstances are expected to persist, IBA will inform and consult with the following:

- FCA;
- Central Bank(s) for the affected currency/ies; and
- Chair of the LIBOR Oversight Committee.

It is probable that an ad-hoc meeting of the LIBOR Oversight Committee would be convened. The Board of IBA would then be informed.

4.2 Gathering market intelligence

In parallel, IBA would seek to garner any market intelligence pertinent to the event which caused the initiation of the contingency policy/procedure.

4.3 Adjusting the previous day's LIBOR

Consideration will be given as to whether it would be appropriate to publish the previous day's LIBOR as adjusted by the the change from the previous day in a Related Rate, noting that:

- Related curves (e.g. OIS and Repos) are not always available in all LIBOR currencies and tenors; and
- In some circumstances, OIS, repos etc. may be very volatile and illiquid.

4.4 Contingency Rate

The Contingency Rate should be considered as a further and later stage, composed of two parts:

- Contingency Rate = Related Rate + Spread element.

5. Contingency Rate components

5.1 Related Rate

IBA would use one or more of the following, as set out in more detail below:

- OIS curves;
- Repurchase Agreement curves;
- Yield Curve data;
- Policy rates; and/or
- Alternative nearly risk-free benchmark term rates (term RFRs) where available.

The choice in the prevailing circumstances would depend on the nature of the disruptive event, availability, liquidity and market conditions. The choice would be made by IBA after consultation with the LIBOR Oversight Committee and the relevant authorities.

5.2 Spread Element

IBA might, without limitation, use one of the following:

- a fixed historical spread of LIBOR versus the Related Rate based on the last known prices; or
- an average of this spread for a given number of days.

The choice in the prevailing circumstances would depend on the nature of the disruptive event, availability, liquidity and market conditions. The choice would be made by IBA in consultation with the LIBOR Oversight Committee and the relevant authorities.

6. Implementation

6.1 Gathering data and consulting

On selection of the Related Rate and Spread Element, IBA would gather data and calculate LIBOR for the affected currency/ies for discussion with the LIBOR Oversight Committee.

IBA will then notify the relevant authorities of the outcome before moving into implementation.

6.2 Decision-making

A decision to move to a contingency rate would be taken by the IBA Board after due consideration of the LIBOR Oversight Committee and/or the appointed Sub-Committee (if any).

6.3 Communications

IBA's communication measures will include the following as appropriate in the circumstances:

- Emails to licence holders;
- One or more press releases; and
- Information on IBA's website.

Transparency will be important for users. For this reason, any publication of a rate which uses a contingency measure will be accompanied by an explicit description of the variation from IBA's usual practices.

7. Record keeping

A record of the events leading up to the invocation of this Contingency Policy / Procedure will be documented and retained by IBA.

8. Review

This Policy/Procedure is reviewed periodically by the LIBOR Oversight Committee and is subject to change.

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