Frequently Asked Questions

IBOR Fallback Rate Adjustments

Background

General Overview

1. What is an IBOR fallback?
2. Which IBOR benchmarks are covered?
3. Why is there a need for fallbacks if IBORs are still available?
4. What are permanent cessation triggers?
5. What is a fallback adjustment?

Bloomberg’s Role

6. What is Bloomberg’s role in the calculation of this new rate?
7. What calculations will Bloomberg be publishing?

Regulatory Status

8. Are the fallbacks ‘benchmarks’ for regulatory purposes?

Access to Fallback Adjustment Data

9. How will this data be made available?
10. What will it cost to access the ISDA fallback rates?
11. Will a license be required for usage of Bloomberg calculated ISDA fallback rates? What use cases will be covered with this license?
12. When can I access the data?
13. At what times of the day will the data be published?

Version 2.1
Date: February 4, 2020
**Background**

Inter-bank Offered Rates (IBORs), a series of interest rate benchmarks, are undergoing a period of change as regulators and industry groups have recommended that firms transition away from the London Inter-bank Offered Rate (LIBOR) and other IBORs and prepare to replace them with alternative, overnight Risk Free Rates (RFRs). These RFRs, including SOFR (USD), €STR (EUR) and SONIA (GBP), are typically administered and published by major central banks worldwide.

Transitioning to the RFRs will be a demanding and complex process for the industry as RFRs are structurally different from IBORs. They are overnight rates and exhibit different liquidity characteristics and supply/demand issues than IBORs.

To address the risk that one or more IBORs are discontinued while market participants continue to have exposure to that rate, counterparties are encouraged to agree to contractual fallback provisions that would provide for adjusted versions of the RFRs as replacement rates.

Due to the fundamental differences in the nature of IBORs and the RFRs, key adjustments are necessary if fallbacks to RFRs are to take effect in contracts that were originally negotiated to reference the IBORs. ISDA ran public consultations to finalize the adjustment methodologies and subsequently issued a tender invitation for a vendor to perform and distribute these necessary adjustments.

These consultations yielded industry consensus, and more information about them can be found [here](#).

Bloomberg Index Services Limited (BISL) (collectively with its affiliates, Bloomberg) was selected as the vendor to calculate and distribute these adjustments.

**General Overview**

1. **What is an IBOR fallback?**

It is anticipated that over the next several years, LIBOR and potentially various other IBORs may be discontinued. To address the risk that counterparties may have exposure to a discontinued IBOR, they are encouraged to agree to contractual fallback provisions that would provide for adjusted versions of the RFRs as replacement rates. To facilitate such agreements, ISDA is amending its definitions for derivative contracts that reference IBORs. These amendments will incorporate fallbacks to adjusted versions of the RFRs that would apply in the event of permanent discontinuation of IBOR(s).¹

---

¹ Market participants may agree that they would move to the replacement rates (i.e., the adjusted RFRs) upon certain events that occur prior to cessation. See ISDA’s summary of responses to a consultation on pre-cessation issues [here](#). We note that market participants could also separately voluntarily agree to amendments to their IBOR contracts to reference non-adjusted versions of the RFR prior to cessation.
2. **Which IBOR benchmarks are covered?**

Below are the IBOR benchmarks covered:

- Australian Dollar AUD BBSW
- Canadian Dollar CAD CDOR
- Euro EUR LIBOR*
- Euro EURIBOR*
- Hong Kong Dollar HKD HIBOR
- Japanese Yen Euroyen TIBOR
- Japanese Yen JPY LIBOR
- Japanese Yen TIBOR
- Sterling GBP LIBOR
- Swiss Franc CHF LIBOR
- US Dollar USD LIBOR

**Figure 1**

Additional details on the IBOR benchmarks covered

<table>
<thead>
<tr>
<th>Currency</th>
<th>IBOR</th>
<th>RFR</th>
<th>IBOR Tenors</th>
<th>IBOR Bloomberg Tickers &lt;Index&gt;</th>
<th>RFR Bloomberg Ticker &lt;Index&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUD</td>
<td>BBSW</td>
<td>RBA Cash Rate</td>
<td>1M, 2M, 3M, 4M, 5M, 6M</td>
<td>BBSW1M ---- 6M</td>
<td>RBACOR</td>
</tr>
<tr>
<td>CAD</td>
<td>CDOR</td>
<td>CORRA</td>
<td>1M, 2M, 3M, 6M, 12M</td>
<td>CDOR01 ---12M</td>
<td>CAONREPO</td>
</tr>
<tr>
<td>CHF</td>
<td>LIBOR</td>
<td>SARON</td>
<td>S/N, 1W, 1M, 2M, 3M, 6M, 12M</td>
<td>SF00S/N SF0001W SF0001M ----12M</td>
<td>SRFXON3 – 6pm CET Market Close</td>
</tr>
<tr>
<td>EUR</td>
<td>EURIBOR</td>
<td>€STR</td>
<td>1W, 1M, 3M, 6M, 12M</td>
<td>EUR001W EUR001M ---12M</td>
<td>ESTRON</td>
</tr>
<tr>
<td>EUR</td>
<td>LIBOR</td>
<td>€STR</td>
<td>O/N, 1W, 1M, 2M, 3M, 6M, 12M</td>
<td>EE00O/N EE0001W EE0001M ---12M</td>
<td>ESTRON</td>
</tr>
<tr>
<td>GBP</td>
<td>LIBOR</td>
<td>SONIA</td>
<td>O/N, 1W, 1M, 2M, 3M, 6M, 12M</td>
<td>BP00O/N BP0001W BP0001M ----12M</td>
<td>SONIO/N</td>
</tr>
<tr>
<td>HKD</td>
<td>HIBOR</td>
<td>Adjusted HONIA</td>
<td>O/N, 1W, 2W, 1M, 2M, 3M, 6M, 12M</td>
<td>HIHD01N HIHD01W ---2W HIHD01M ---12M</td>
<td>HOISHKD</td>
</tr>
<tr>
<td>JPY</td>
<td>Euroyen TIBOR</td>
<td>TONA</td>
<td>1W, 1M, 3M, 6M, 12M</td>
<td>EUYNo1W EUYNo1M ---12M</td>
<td>MUTKCALM</td>
</tr>
<tr>
<td>JPY</td>
<td>LIBOR</td>
<td>TONA</td>
<td>S/N, 1W, 1M, 2M, 3M, 6M, 12M</td>
<td>JY00S/N JY0001W JY0001M ----12M</td>
<td>MUTKCALM</td>
</tr>
<tr>
<td>JPY</td>
<td>TIBOR</td>
<td>TONA</td>
<td>1W, 1M, 3M, 6M, 12M</td>
<td>T10001W T10001M ---12M</td>
<td>MUTKCALM</td>
</tr>
<tr>
<td>USD</td>
<td>LIBOR</td>
<td>SOFR</td>
<td>O/N, 1W, 1M, 2M, 3M, 6M, 12M</td>
<td>US00O/N US0001W US0001M ---12M</td>
<td>SOFRRATE</td>
</tr>
</tbody>
</table>
3. **Why is there a need for fallbacks if IBORs are still available?**

The adjusted RFRs will only apply as reference rates if the fallbacks take effect because an IBOR is discontinued and therefore no longer available.

The fallback rates were developed to ensure that the contracts align as closely as possible to the original agreement after the fallback kicks in, resulting in a rate that is predictable, transparent and fair.

4. **What are permanent cessation triggers?**

The fallbacks in the 2006 ISDA Definitions will be triggered upon:

- A public statement or publication of information by or on behalf of the administrator of [the relevant IBOR] announcing that it has ceased, or will cease, to provide [the relevant IBOR] permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to provide [the relevant IBOR]; or

- A public statement or publication of information by the regulatory supervisor for the administrator of [the relevant IBOR], the central bank for the currency of [the relevant IBOR], an insolvency official with jurisdiction over the administrator for [the relevant IBOR], a resolution authority with jurisdiction over the administrator for [the relevant IBOR] or a court or an entity with similar insolvency or resolution authority over the administrator for [the relevant IBOR], which states that the administrator of [the relevant IBOR] has ceased or will cease to provide [the relevant IBOR] permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to provide [the relevant IBOR].

*Note that the fallbacks will not apply until the actual discontinuation of the relevant IBOR (if that is after the announcement date).*

5. **What are the fallback adjustments?**

Since RFRs are structurally different from IBORs, certain adjustments would be applied if the fallbacks are triggered and the replacement rates apply to contracts that continued to reference the IBORs upon the discontinuation of the relevant IBOR. These adjustments, incorporating feedback from market participants and regulators, are to account for:

(i) the fact that an RFR is an overnight rate while IBORs have term structures (e.g., 1, 3, 6-month LIBOR); and

(ii) the historical spread differential between IBORs and their ‘term equivalent’ RFR compounded rates.

For the term adjustment, respondents to ISDA’s various consultations favored a ‘compounded in arrears’ approach to align with the applicable IBOR tenor.

For the spread adjustment, a five year median comparison calculation between the relevant ‘compounded in arrears’ RFR and IBOR was the preferred approach.

---

2 Market participants may agree that they would move to the replacement rates (i.e., the adjusted RFRs) upon certain events that occur prior to cessation. See ISDA’s summary of responses to a consultation on pre-cessation issues [here](#). We note that market participants could also separately voluntarily agree to amendments to their IBOR contracts to reference non-adjusted versions of the RFR prior to cessation.
The implementation mechanics for both the compounding period (including any potential offset lags) and the spread adjustment (including the precise comparison period) are being finalized. Bloomberg and ISDA will publish the formulas and all relevant conventions (e.g., rounding, holiday calendars, etc.) for these adjustments as soon as they are final.

**Bloomberg’s Role**

6. **What is Bloomberg's role in the calculation of this new rate?**

ISDA announced that Bloomberg will be the adjustment services vendor for IBOR fallback calculations. Consequently, Bloomberg will calculate and publish the term and spread adjustments for the fallbacks that ISDA intends to implement for certain IBORs. The calculations will be based on the methodology developed by ISDA through a series of market consultations, which can be viewed on ISDA’s [website](https://www.isda.org).

7. **What calculations will Bloomberg be publishing?**

- Compounded setting in arrears for each RFR for each relevant term (Adjusted RFR) – daily compounding of publicly available Risk Free Rates (RFRs) published by central banks (e.g. SOFR, SONIA)
- Spread Adjustment – median of the historical differences between the IBOR for each tenor and the compounded RFR for that tenor over a five-year period prior to an announcement triggering a fallback

The “all in” fallback rate, which is the combination of the Adjusted RFR and the Spread Adjustment

**Regulatory Status**

8. **Are the fallbacks ‘benchmarks’ for regulatory purposes?**

- It is important to keep in mind that the IBOR transition is to RFRs produced by central banks based upon robust transaction data. The RFRs remain the essential benchmarks and we do not view the adjustments as changing that. Rather, the adjustments facilitate the adoption of these RFRs by applying straightforward calculations according to publicly available, transparent rules.
- However, given the nature of this activity, Bloomberg is conducting the calculation of the adjustments within Bloomberg Index Services Limited, its authorized benchmark administrator.

**Access to Fallback Adjustment Data**

9. **How will this data be made available?**

Bloomberg will make IBOR fallback calculations broadly available to industry participants through the following:

- **Bloomberg:**
  - The data will be available to Bloomberg customers through various distribution channels such as the BLOOMBERG TERMINAL® service (including its Desktop API feature) and Bloomberg Data License. *Separate to the ISDA fallback calculations, Bloomberg Terminal customers already have access to RFRs and compounded RFRs data at [EONC](https://www.eonc.com) > [GO]. Further information about this, and the LIBOR transition more generally, is available at [RFR](https://www.rfr.com) > [GO].*
• Third party vendors:
  o The data will also be available to licensed vendors via SFTP.

• Bloomberg website:
  o Delayed data will also be publicly available on Bloomberg’s [website].

10. What will it cost to access the ISDA fallback rates?

There are no end user subscription fees applicable for receipt of the data.

Usage licenses for firms, infrastructure providers (e.g., CCPs), and vendor redistribution licenses will apply (see Q10). Delayed access to ISDA fallback adjustments will also be available at no charge through Bloomberg’s website at www.bloomberg.com/libor.

11. Will a license be required for usage of Bloomberg calculated ISDA fallback rates? What use cases will be covered with this license?

Yes, a license will be required from Bloomberg for usage of the ISDA fallback rates.

Specifically, use of the fallback rates within ISDA contracts, including swaps and interest rate options, whether cleared or un-cleared, will require a usage license. (Separate commercial arrangements will apply for use of Bloomberg’s data outside the scope of an ISDA contract.)

In addition, vendor redistributors and infrastructure providers (e.g., CCPs) will require a license.

A summary of the license schedule and fees is below:

**Commercial Terms**

**ISDA Fallbacks (all figures in USD)**

<table>
<thead>
<tr>
<th>End User (per user) Access</th>
<th>Annual fee</th>
<th>Payable from</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Access</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realtime</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Delayed</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Vendor Redistribution License</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realtime</td>
<td>$50,000</td>
<td>Date of subscription to data</td>
</tr>
<tr>
<td>Delayed</td>
<td>$10,000</td>
<td>Date of subscription to data</td>
</tr>
<tr>
<td><strong>Infrastructure Providers Usage License (CCPs, etc.)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single rate</td>
<td>$50,000</td>
<td>Date of subscription to data</td>
</tr>
<tr>
<td>Two or more rates</td>
<td>$100,000</td>
<td>Date of subscription to data</td>
</tr>
<tr>
<td><strong>Firm-wide Usage License</strong></td>
<td></td>
<td>Effective Date of Fallbacks</td>
</tr>
<tr>
<td>Two or more rates (Financial Institution)</td>
<td>$20,000</td>
<td>Effective Date of Fallbacks</td>
</tr>
<tr>
<td>Two or more rates (non-Financial Institution)</td>
<td>$10,000</td>
<td>Effective Date of Fallbacks</td>
</tr>
<tr>
<td>Single rate (any Institution)</td>
<td>$5,000</td>
<td>Effective Date of Fallbacks</td>
</tr>
</tbody>
</table>

*Rate* refers to fallbacks for any one of the IBORs, including all relevant tenors.
1. All firms subscribing to and/or using the data, whether exempt from usage license fees or otherwise, are required to enter into a usage license or sign a declaration of non-usage compliance, as applicable.

2. The usage license applies to firms and infrastructure providers who reference the ISDA fallbacks and/or official Bloomberg calculation of such fallbacks in 'ISDA-linked' financial contracts, whether cleared or un-cleared.

3. Usage license fees are waived for institutions using a single rate and with assets below $10bn.

4. It is expected that the 'Effective Date' for LIBOR fallbacks will be during Q1 2022. If LIBOR and/or other IBORs continue beyond Q1 2022 and the Effective Date for one or more fallbacks has not been reached, usage license fees may begin to apply.

   Bloomberg reserves the right to amend the Commercial Terms

12. When can I access the data?

Bloomberg expects to begin publishing the Adjusted RFRs, the Spread Adjustments and the 'all in' fallback rates in the form of indicative 'test data' by the end of April 2020. Official data is expected to be available at the end of Q2 2020. The expectation is that calculations will be published before the fallback provisions take effect in the amended definitions, and ISDA publishes a protocol for inclusion of the amended definitions (i.e., the definitions with the fallback provisions). ISDA plans to complete this work in the first half of 2020.

Prior to the cessation of an IBOR, Bloomberg will calculate the fallback rates on a 'what-if' basis, i.e., what would the fallback rate be on any given day if the trigger event occurred and the fallback rates were to take effect on that date or on a specified future discontinuation date. This will give market participants transparency as to what the fallback rates 'would be' on any given day.

Following the cessation triggering event, the Spread Adjustment becomes fixed for each tenor of the relevant IBOR. Thereafter, Bloomberg will continue to publish the fallback rates, which will be the compounded in arrears Adjusted RFR plus the fixed Spread Adjustment.

13. At what times of the day will the data be published?

Publication times are determined in accordance with the time zones and publication times of the relevant RFRs, allowing for any revision windows the RFR administrators may maintain. When confirmed, the expected publication times will be updated in the table below.
<table>
<thead>
<tr>
<th>RFR</th>
<th>RFR Publication time</th>
<th>Latest RFR delayed publication or restatement time</th>
<th>IBOR publication time (for T-1) (Local)</th>
<th>Latest IBOR delayed publication or restatement time</th>
<th>Expected Bloomberg publication time (tbd)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBA</td>
<td>09:00 AEST/AEDT</td>
<td>16:00 AEST/AEDT</td>
<td>10:30 AEST/AEDT (BBSW)</td>
<td>12:00 AEST/AEDT</td>
<td></td>
</tr>
<tr>
<td>CORRA</td>
<td>09:00 ET</td>
<td>11:00 ET</td>
<td>10:15 ET (CDOR)</td>
<td>12:00 ET</td>
<td></td>
</tr>
<tr>
<td>SARON</td>
<td>18:00 CET</td>
<td>&quot;Within the trading day&quot; and potentially &quot;retrospectively&quot;</td>
<td>11:55 London time (LIBOR)</td>
<td>16:00 London time</td>
<td></td>
</tr>
<tr>
<td>€STR*</td>
<td>09:00 CET</td>
<td>11:00 CET</td>
<td>11:55 London time (LIBOR)</td>
<td>15:00 CET (EURIBOR)</td>
<td>16:00 London time (LIBOR)</td>
</tr>
<tr>
<td>SONIA</td>
<td>09:00 London time</td>
<td>12:00 London time</td>
<td>11:55 London time (LIBOR)</td>
<td>16:00 London time</td>
<td></td>
</tr>
<tr>
<td>Adjusted HONIA</td>
<td>17:00 Hong Kong Time</td>
<td>TBD</td>
<td>11:15 HKT (HIBOR)</td>
<td>14:30 HKT</td>
<td></td>
</tr>
<tr>
<td>TONA</td>
<td>10:00 JST</td>
<td>TBD</td>
<td>13:00 Tokyo (TIBOR &amp; Euroyen)</td>
<td>Undefined (TIBOR &amp; Euroyen)</td>
<td>16:00 London time (LIBOR)</td>
</tr>
<tr>
<td>SOFR</td>
<td>08:00 EST/EDT</td>
<td>14:30 EST/EDT</td>
<td>11:55 London time (LIBOR)</td>
<td>16:00 London time</td>
<td></td>
</tr>
</tbody>
</table>

* €STR is the fallback RFR for Euro LIBOR and EUR EURIBOR, which will follow a different timeline