

## **ISDA Publishes Results of Consultation on Final Parameters for Benchmark Fallback Adjustments**

**NEW YORK, November 15, 2019** – The International Swaps and Derivatives Association, Inc. (ISDA) has today published a [report](#) that summarizes responses to a [consultation](#) on the final parameters of adjustments that will apply to derivatives fallbacks for certain interbank offered rates (IBORs).

The report, published by The Brattle Group, follows two earlier consultations that found the overwhelming majority of respondents preferred the ‘compounded setting in arrears rate’ to address differences in tenor between IBORs and overnight risk-free rates, and the ‘historical mean/median approach’ to deal with differences in credit risk and other factors.

The new report covers technical issues on specific methodologies for the two adjustments. Responses to the final parameters consultation show that a majority of participants preferred a historical median approach over a five-year lookback period. A majority also preferred not to include a transitional period in the spread adjustment calculation, not to exclude outliers, and not to exclude any negative spreads. For the compounded setting in arrears rate, a clear majority favored a two-banking-day backward shift adjustment for operational and payment purposes.

Following these results, ISDA will make the relevant amendments to the 2006 ISDA Definitions to incorporate fallbacks with these adjustments for new IBOR trades. Bloomberg has been [selected to publish the adjustments](#) and ‘all in’ fallback rates. ISDA will also publish a protocol to enable market participants to include fallbacks within legacy IBOR contracts if they choose to. Both the amended Definitions and the protocol are expected to be finalized by the end of this year, with implementation in 2020.

ISDA expects to shortly publish a new supplemental consultation on the spread and term adjustments for fallbacks in derivatives referencing euro LIBOR and EURIBOR, which will also cover the final parameters for these adjustments. If the consultation results are consistent with prior consultations, ISDA expects to implement fallbacks for euro LIBOR and EURIBOR in 2020, in line with fallbacks for nine other IBORs covered by the earlier consultations.

“The results of this consultation are a critical step towards finalizing the methodologies for the fallback adjustments. The implementation of robust fallbacks within derivatives contracts will go a long way to mitigating the systemic risk posed by current fallbacks for key IBORs,” said Scott O’Malia, ISDA’s Chief Executive.

**-more-**

View the [report summarizing the results of the consultation here](#).

View the [consultation on final parameters here](#).

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**About ISDA**

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 900 member institutions from 71 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's website: [www.isda.org](http://www.isda.org). Follow us on Twitter @ISDA.

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