

ISDA, NAFMII Publish Chinese Language IBOR Fallbacks Documents

NEW YORK, July 30, 2021 – The International Swaps and Derivatives Association, Inc. (ISDA) and the National Association of Financial Market Institutional Investors (NAFMII) have published two Chinese language documents that will enable firms to include contractual fallbacks for certain interbank offered rates (IBORs) into onshore derivatives transactions documented under the 2009 NAFMII Master Agreement in China.

The documents consist of a multilateral amendment agreement that will allow market participants to incorporate the fallbacks into their legacy non-cleared derivatives with other counterparties that choose to sign the agreement, and updated definitions of the IBORs with fallbacks that institutions can reference when entering into new onshore derivatives trades under the NAFMII Master Agreement. The new definitions will come into effect on October 29, 2021.

The new documents are based on the ISDA 2020 IBOR Fallbacks Protocol and IBOR Fallbacks Supplement and cover fallbacks for euro, sterling Swiss franc, US dollar and yen LIBOR, EURIBOR, Australia’s Bank Bill Swap Rate and HIBOR. In each case, the fallbacks will be adjusted versions of the risk-free rates (RFRs) identified for the relevant currency.

The vast majority of over-the-counter interest rate derivatives transactions entered into between onshore entities in China are documented under the 2009 NAFMII Master Agreement, which is not covered by the ISDA IBOR Fallbacks Protocol and IBOR Fallbacks Supplement. Publishing separate documents for China’s onshore derivatives market will help reduce the disruption that could occur if benchmark transition efforts in China are not complete before the majority of LIBOR settings cease to exist or become non-representative at the end of this year.

“The ISDA IBOR Fallbacks Protocol has been one of our most successful protocols ever, with more than 14,200 adhering parties all over the world. The broad-based implementation of the protocol has very effectively mitigated the systemic risk that would arise following the disappearance of LIBOR or another key IBOR. Working closely with NAFMII, we have developed these documents to bring the benefits of the fallbacks to China’s onshore market,” said Scott O’Malia, ISDA’s Chief Executive.

The fallbacks for a particular currency will apply following a permanent cessation of the IBOR in that currency. For derivatives that reference LIBOR, the fallbacks in the relevant currency would also apply following a determination by the UK Financial Conduct Authority (FCA) that LIBOR in that currency is no longer representative of its underlying market.

Following an FCA announcement on March 5 confirming the timing for the cessation or loss of representativeness of all 35 LIBOR settings, the fallback spread adjustments, which reflect some of the structural differences between IBORs and RFRs, were fixed for all euro, sterling, Swiss franc, US dollar and yen LIBOR tenors. The fallbacks will apply on the first London banking day after January 1, 2022 for 30 LIBOR currencies and tenors, and on the first London banking day after July 1, 2023 for the remaining five US dollar tenors.

[Click here to read the IBOR Fallbacks Supplemental Agreement to the 2009 NAFMII Master Agreement \(Chinese only\).](#)

[Click here to read the IBOR Fallbacks Booklet for China Interbank Market Financial Derivative Transactions \(Chinese only\).](#)

Click [here](#) for more background on fallbacks and the adjustment methodology.

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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 960 member institutions from 76 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. Follow us on [Twitter](#), [LinkedIn](#), [Facebook](#) and [YouTube](#).

About NAFMII

The National Association of Financial Market Institutional Investors (NAFMII) is a self-regulatory organization of China's interbank market. NAFMII is mainly responsible for self-regulating institutional investors, promoting market innovation, facilitating the registration and issuance processes of debt financing instruments of non-financial enterprises, enhancing market liquidity, facilitating price discovery and protecting investors' rights and interests. Today, NAFMII has over 8,400 members, covering various types of institutional investors such as banks, securities companies, insurance companies, funds, foreign institutions and non-financial institutions. Information about NAFMII and its activities is available on the Association's website: www.nafmii.org.cn

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