ICE Benchmark Administration

Mr Scott O'Malia
Chief Executive Officer

Ms Katherine Tew Darras
General Counsel

International Swaps and Derivatives Association
One Bishops Square
London E1 6AD

24 January 2020

Re: ISDA letter to the FSB

Dear Mr O'Malia and Ms Tew Darras,

I am writing further to your recent letter to the Financial Stability Board in which you recommend a statement from the UK FCA and ICE Benchmark Administration Limited (IBA) that the "reasonable period" during which a "non-representative" LIBOR would be published would be minimal (i.e., a number of months not years) after the FCA announces that LIBOR is no longer representative.

I would draw your attention to IBA's Changes and Cessation Procedure for LIBOR and in particular to paragraph 7 ("Inability to produce representative settings") which notes that 11(4) of the European Benchmarks Regulation (BMR) states that,

"Where an administrator considers that the input data does not represent the market or economic reality that a benchmark is intended to measure, that administrator shall, within a reasonable time period, either change the input data, the contributors or the methodology in order to ensure that the input data does represent such market or economic reality, or else cease to provide that benchmark."

The Changes and Cessation Procedure then outlines the steps that IBA would take if it suspected that certain or all LIBOR settings would become unrepresentative owing to, for example, reduced input data on a continuing basis or a fundamental change in the underlying interest that the benchmark seeks to measure, or any other circumstance where IBA could not continue to publish LIBOR. The FCA would be informed immediately and IBA would share with the FCA the results of any representativeness testing. Once any such testing had been verified by IBA, IBA would share the information as appropriate with other relevant regulatory bodies, central banks and/or the LIBOR Oversight Committee.

As set out in paragraph 8 of the Changes and Cessation Procedure, details of any proposed cessation of LIBOR would be reviewed and agreed with the LIBOR Oversight Committee which would have an important role in monitoring the execution of the plan and consideration of key factors such as the following: the timing of the cessation, including how much notice should be given. The period of time to effect a cessation of a LIBOR setting would necessarily be dependent on the facts and circumstances at the time.

IBA's preference, and its expectation in the absence of unexpected events, would be that any cessation of LIBOR would be pre-announced a reasonable time in advance of the benchmark's becoming potentially unrepresentative, so as to avoid any requirement to publish a non-representative benchmark. IBA would not be comfortable with publishing an unrepresentative benchmark and the indefinite or continuing publication of an unrepresentative LIBOR rate is not contemplated by the BMR.

Yours sincerely,

Timothy J Bowler

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President
ICE Benchmark Administration

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