

Future Cessation Guidance – 2021 ISDA Interest Rate Derivatives Definitions and 2006 ISDA Definitions

Bank of Israel announcement of future permanent cessation of all TELBOR tenors

The International Swaps and Derivatives Association, Inc. (“**ISDA**”) provides the following guidance for parties to over-the-counter derivative transactions that are affected by the announcement made on April 16, 2024 (the “**TELBOR Cessation Announcement**”) by the Bank of Israel (“**BOI**”) relating to the future cessation of all TELBOR tenors.

On April 16, 2024, the BOI announced that calculation and publication of all tenors (i.e. overnight, 1-month, 3-month, 6-month, 9-month and 12-month tenors) of TELBOR will cease immediately following a final publication on June 30, 2025 and that the last day of publication for TELBOR will be June 30, 2025. The announcement can be found [here](#).

ISDA is issuing this guidance in the interest of mitigating market risk and the promotion of orderly and consistent application of triggers and fallbacks by market participants. This guidance is not legal advice and market participants should consult their legal advisors as appropriate. Market participants should not rely on this guidance for any purpose but should review the contractual terms of each affected transaction in order to understand the effects of the events described above. ISDA does not assume any responsibility for this guidance and it is not intended to set a precedent. Parties are not obliged to follow this guidance. For cleared transactions and transactions executed on electronic confirmation platforms, market participants should refer to the contractual terms of the applicable clearing house or confirmation platform, as applicable.

Guidance

The purpose of this Guidance is:

- (1) **2021 ISDA Interest Rate Derivatives Definitions:** to describe how the terms of the 2021 ISDA Interest Rate Derivatives Definitions (Versions 1.0 to 10.0) published by ISDA on its 'MyLibrary' platform (the "**2021 Definitions**") apply to the TELBOR Cessation Announcement;
- (2) **2006 ISDA Definitions:** to describe how the terms of the 2006 ISDA Definitions published by ISDA (the "**2006 Definitions**") apply to the TELBOR Cessation Announcement;
- (3) **2018 ISDA Benchmarks Supplement:** to describe how the terms of the 2006 ISDA Definitions Benchmarks Annex to the ISDA Benchmarks Supplement (the "**ISDA Benchmarks Supplement**") apply to the TELBOR Cessation Announcement; and
- (4) **November 2022 Benchmarks Module:** to describe how the terms of the November 2022 Benchmarks Module to the ISDA 2021 Fallbacks Protocol (the "**November 2022 Benchmarks Module**") apply to the TELBOR Cessation Announcement.

Terms used but not defined in this Guidance have the meanings given to them in the 2021 Definitions, the 2006 Definitions, the ISDA Benchmarks Supplement or the November 2022 Benchmarks Module, as applicable.

The TELBOR Cessation Announcement

On April 16, 2024, the BOI announced in the **TELBOR Cessation Announcement**:

"The Telbor Committee has decided today that the publication of all tenors of TELBOR will permanently cease immediately following a final publication on June 30, 2025.

This announcement constitutes an "Index Cessation Event" under the 2021 ISDA Interest Rate Derivatives Definitions and the November 2022 Benchmark Module of the ISDA 2021 Fallbacks Protocol."

Application of the 2021 Definitions to the TELBOR Cessation Announcement

An Index Cessation Event under the 2021 Definitions¹ will occur in respect of TELBOR upon:

"a public statement or publication of information by or on behalf of the Administrator of the Applicable Benchmark announcing that it has ceased or will cease to provide the Applicable Benchmark permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator or provider, as applicable, that will continue to provide the Applicable Benchmark."

Under the 2021 Definitions, an Index Cessation Effective Date will occur upon the rate no longer being provided.

In light of the above, an Index Cessation Event with respect to TELBOR occurred on April 16, 2024 by virtue of the announcement by the BOI (the Administrator of TELBOR) that TELBOR will permanently cease. The related Index Cessation Effective Date will occur on the first date following June 30, 2025 on which TELBOR would ordinarily have been published or provided and will no

¹ The analysis regarding the occurrence of an Index Cessation Event and the corresponding Index Cessation Effective Date set out in this section applies equally to each version of the 2021 Definitions published by ISDA as at the date of this Guidance. However, please note that amendments have been made to the fallbacks for TELBOR in Version 7.0 of the 2021 Definitions. Therefore, as explained further below, different fallbacks will apply to contracts incorporating Versions 7.0 onwards of the 2021 Definitions and those incorporating earlier versions of the 2021 Definitions.

longer be published or provided, which is expected to be July 1, 2025. The Index Cessation Effective Date is the first date on which the relevant fallback will apply.²

Events may arise in the future which may affect the timing and application of the relevant TELBOR fallback. These include if a subsequent Index Cessation Event occurs with respect to TELBOR. For example, if BOI were to make a later announcement that TELBOR will cease to be provided from a different date, the Index Cessation Effective Date would change accordingly. However, the spread adjustment in respect of all tenors of TELBOR as published by Bloomberg Index Services Limited (“BISL”) will be fixed on the earliest Index Cessation Event to occur.

Application of Versions 1.0 to 6.0 of the 2021 Definitions

Pursuant to any of Version 1.0 to Version 6.0 of the 2021 Definitions, the Generic Fallback Provisions will apply from the Index Cessation Effective Date (provided that the documents incorporating any of Versions 1.0 to 6.0 of the 2021 Definitions have not been amended by the November 2022 Benchmarks Module). Under the Generic Fallback Provisions, the parties are obliged to seek to apply the Alternative Continuation Fallbacks and will apply the first Alternative Continuation Fallback pursuant to which a Continuation Amendment can be made. Please refer to the [ISDA Summary of the Generic Fallback Provisions](#) for a summary of the Generic Fallback Provisions.

For the purposes of applying the Alternative Continuation Fallback ‘Alternative Post-nominated Index’, an alternative index must be “*formally designated, nominated or recommended*” by a Relevant Nominating Body or the Administrator to replace the Applicable Benchmark (in this case, TELBOR). The definition of “Relevant Nominating Body” includes “*any working group or committee officially endorsed or convened by [...] the central bank for the currency in which the Applicable Benchmark is denominated*”.

The TELBOR Cessation Announcement refers to a decision by the ‘Telbor committee’ that the “*SHIR (Shekel overnight Interest Rate) rate will eventually be the replacement for the Telbor interest rate, in shekel interest rate derivative transactions, at a time in the future when Telbor ceases [...]*”.

In addition, the [minutes of the TELBOR committee meeting held on October 24 and 27, 2022](#), as published by the BOI on October 28, 2022 (the “**October TELBOR Committee Minutes**”), provide that “[*o*]n the day that publication of the Telbor interest rate ceases, it will be necessary to adjust the existing transactions to the SHIR. [...] It was decided that the spread to be calculated for the SHIR interest rate as needed for the Fallback Rate will be based on the methodology implemented by ISDA for other IBOR interest rates. In this methodology, the Spread Adjustment is the median, over a period of 5 years, of the gaps between the Telbor rate and the SHIR-compounded in arrears”.

By this, and on the basis that the ‘Telbor committee’ was established by the BOI in early 2007 (see [here](#)) and is therefore a “Relevant Nominating Body”, ISDA understands that the recommendation for derivatives is to use SHIR plus a spread in accordance with the ISDA fallbacks for TELBOR (which now include ‘Fallback Rate (SHIR)’, which is compounded SHIR plus the adjustment spread, as published by BISL).

The October TELBOR Committee Minutes and the TELBOR Cessation Announcement demonstrate that, for the purposes of the definition of “Alternative Post-nominated Index”, compounded SHIR plus the adjustment spread has been recommended as a replacement index for derivatives.

Consequently, parties may agree to apply the Alternative Continuation Fallback, ‘Alternative Post-nominated Index’, as set out in Section 8.6.3(iii) (*Application of Alternative Post-nominated Index*) of

² TELBOR is published according to the publication calendar published by the BOI. It is expected that the first day that would have been a publication day for TELBOR but for the cessation will be July 1, 2025, unless July 1, 2025 is an unscheduled holiday for the BOI.

the 2021 Definitions, in which case the Calculation Agent will apply the adjustment spread determined pursuant to the recommended spread adjustment methodology set out in the October TELBOR Committee Minutes.

If parties agree an alternative outcome pursuant to the Alternative Continuation Fallback, 'Agreement between the parties' or if the parties have provided for an 'Alternative Pre-nominated Index' in respect of the Transaction, that Alternative Continuation Fallback would instead apply.

Application of Versions 7.0 onwards of the 2021 Definitions

Pursuant to the Permanent Cessation Fallbacks for TELBOR in Versions 7.0 onwards of the 2021 Definitions, Fallback Rate (SHIR), as published by BISL, will apply as the fallback to TELBOR from the Index Cessation Effective Date with respect to TELBOR.

Application of the 2006 ISDA Definitions to the TELBOR Cessation Announcement

The terms of the relevant Rate Option will apply. Section 7.1(k)(i) of the 2006 Definitions includes a Rate Option for TELBOR: "ILS-TELBOR01-Reuters". Pursuant to the terms of this Rate Option (provided that the documents incorporating the 2006 Definitions have not been amended by the November 2022 Benchmarks Module), if the relevant rate does not appear on the relevant screen, then the rate for the Reset Date will be determined by reference to the Rate Option, "ILS-TELBOR-Reference Banks", which sets out a dealer poll process requiring, in the first instance, quotations from the Reference Banks (five major banks in the Tel Aviv interbank market). If the requisite number of quotations is not received, there is a further fallback to the Calculation Agent determining the relevant rate.

As TELBOR will not appear on the relevant screen after June 30, 2025, for the purposes of the Rate Option detailed above, the fallback to Reference Bank quotations, and the further fallback to Calculation Agent determination, will apply from the first Tel Aviv business day immediately following June 30, 2025³, being the first day on which TELBOR will no longer be provided for the purposes of the Rate Option set out above.

The IBOR Fallbacks Supplement, the IBOR Fallbacks Protocol, Supplement 90 to the 2006 Definitions and the December 2021 Benchmark Module to the ISDA 2021 IBOR Fallbacks Protocol

Supplement number 70 to the 2006 Definitions (the IBOR Fallbacks Supplement), finalized on October 23, 2020 and published by ISDA and effective on January 25, 2021, amends and restates certain IBOR Rate Options and related terms to introduce fallbacks on a permanent cessation of those IBOR Rate Options. The ISDA 2020 IBOR Fallbacks Protocol (published on October 23, 2020) applies those fallbacks to, *inter alia*, legacy transactions incorporating the 2006 Definitions that were entered into prior to the effective date of Supplement number 70. Neither the 2020 IBOR Fallback Protocol nor Supplement number 70 to the 2006 Definitions included permanent cessation fallbacks for TELBOR. Accordingly, neither Supplement number 70 nor the ISDA 2020 IBOR Fallbacks Protocol apply to the TELBOR Cessation Announcement (but see section below on the November 2022 Benchmarks Module's use of Supplement number 70).

Supplement number 90 to the 2006 Definitions, published by ISDA and effective on December 16, 2021, amends and restates certain additional IBOR Rate Options and related terms not previously included in Supplement number 70 in order to introduce fallbacks on a permanent cessation of those IBOR Rate Options. The December 2021 Benchmark Module and related ISDA 2021 Fallbacks

³ It is expected that the first Tel Aviv business day immediately following June 30, 2025 will be July 1, 2025, unless July 1, 2025 is an unscheduled holiday.

Protocol (published on December 16, 2021) apply those fallbacks to certain legacy transactions incorporating the 2006 Definitions that were entered into prior to the effective date of Supplement number 90. Neither the December 2021 Benchmark Module nor Supplement number 90 to the 2006 Definitions included permanent cessation fallbacks for TELBOR. Accordingly, neither Supplement number 90 nor the December 2021 Benchmark Module apply to the TELBOR Cessation Announcement (but see section below on the November 2022 Benchmarks Module's use of Supplement number 90).

Application of the November 2022 Benchmarks Module to the TELBOR Cessation Announcement⁴

In November 2022 ISDA published the November 2022 Benchmarks Module to enable parties to incorporate the fallbacks for certain Relevant Benchmarks, including TELBOR, into (in respect of transactions referencing TELBOR) (1) legacy transactions referencing a Relevant Benchmark and incorporating (or referring to) the 2006 Definitions⁵ or any of Versions 1.0 to 6.0 of the 2021 Definitions, and (2) legacy transactions containing generic references to the Relevant Benchmarks.

Protocol Covered Documents referencing TELBOR will be amended by the November 2022 Benchmarks Module as described below.

2021 Definitions: If a Protocol Covered Document incorporates any of Versions 1.0 to 6.0 of the 2021 Definitions and references TELBOR, the November 2022 Benchmarks Module amends that Protocol Covered Document by incorporating the fallbacks that apply on TELBOR cessation that were introduced in Version 7.0 of the 2021 Definitions (as to which, please refer to the paragraph above entitled '*Application of Version 7.0 of the 2021 Definitions*').

If a Protocol Covered Document references TELBOR "as defined" or having the meaning given in the 2021 Definitions, that reference will be interpreted as a reference to ILS-TELBOR as defined in Version 7.0 of the 2021 Definitions.

2006 Definitions: If a Protocol Covered Document incorporates the 2006 Definitions, the November 2022 Benchmarks Module amends the Protocol Covered Document to incorporate the TELBOR fallbacks set out in Version 7.0 of the 2021 Definitions, but adapts these amendments to apply within the framework, and using the defined terms, of the 2006 Definitions. In order to incorporate the permanent cessation fallbacks to TELBOR in the Protocol Covered Document certain provisions relevant to permanent cessation fallbacks set out in Supplement 70 and Supplement 90 to the 2006 Definitions are also incorporated into that Protocol Covered Document. However, only the relevant defined terms and general provisions (such as the definition of Index Cessation Event) from Supplement 70 and Supplement 90 are incorporated and not the permanent cessation fallbacks for the other IBORs that are contained in those two supplements. Consequently, adherence to the November 2022 Benchmarks Module will not incorporate the IBOR fallbacks that are set out in Supplement 70 and Supplement 90.

If a Protocol Covered Document references TELBOR "as defined in" or as having the meaning given to it in the 2006 Definitions, that reference will be interpreted as a reference to "ILS-TELBOR01-

⁴ The November 2022 Benchmarks Module and the associated FAQs can be found [here](#) and [here](#), respectively. The November 2022 Benchmarks Module is a Benchmark Module to the 2021 Fallbacks Protocol. The 2021 Fallbacks Protocol and the associated FAQs can be found [here](#) and [here](#), respectively.

⁵ The November 2022 Benchmarks Module also amends transactions incorporating or referencing the 2000 Definitions and the 1991 ISDA Definitions. However, as neither of those booklets contain a TELBOR floating rate option, those amendments are not relevant for the purpose of this Guidance.

Reuters” as defined in the 2006 Definitions but amended by the November 2022 Benchmarks Module (as described in the immediately preceding paragraph).

Generic references to TELBOR: If a Protocol Covered Document otherwise references TELBOR, howsoever defined, the November 2022 Benchmarks Module amends that Protocol Covered Document to effectively include the TELBOR fallbacks from Version 7.0 of the 2021 Definitions, but these provisions are worded generically to avoid referring to the specific definitions from any one definitional booklet.

Please refer to the paragraph above entitled ‘*Application of Version 7.0 of the 2021 Definitions*’ for a summary of the TELBOR fallback provisions introduced in Version 7.0 of the 2021 Definitions which are applied to Protocol Covered Documents as described in the preceding paragraphs.

Application of the Bloomberg Spread Adjustment to the TELBOR Cessation Announcement

BISL publishes ‘indicative’ spreads for each “IBOR” (as defined in the Bloomberg IBOR Fallback Rate Adjustments Rule Book) tenor in advance of a fallback actually applying by reference to published IBOR values and for informational purposes.

The spread for a specific IBOR tenor will be fixed or ‘set’ by BISL on the “Spread Adjustment Fixing Date” (as defined in the Bloomberg IBOR Fallback Rate Adjustments Rule Book), which, in the event that the cessation relates to all remaining tenors (as will be the case for TELBOR), will be the date on which the Index Cessation Event occurs (i.e. April 16, 2024).

Application of the Bloomberg IBOR Fallback Rate Adjustments Rule Book to the TELBOR Cessation Announcement

BISL has confirmed that under the Bloomberg IBOR Fallback Rate Adjustments Rule Book, the TELBOR Cessation Announcement will constitute an “IBOR Cessation Trigger Date”. Accordingly, the “Spread Adjustment Fixing Date” for all tenors of TELBOR is April 16, 2024. BISL’s published technical note can be found within the ‘IBOR Fallback Technical Notes’ section on the [‘Bloomberg Resources for LIBOR Transition’](#) webpage.

Application of the ISDA Benchmarks Supplement to the TELBOR Cessation Announcement

For the purposes of applying the 2006 ISDA Definitions Benchmarks Annex to the ISDA Benchmarks Supplement⁶ (and assuming that parties have not adhered to the November 2022 Benchmarks Module)⁷, at the time of the TELBOR Cessation Announcement regarding the permanent discontinuation of TELBOR, “ILS-TELBOR01-Reuters”, as referenced in transactions incorporating the 2006 Definitions, does not include a reference to a concept defined or otherwise described as an “index cessation event”. This means that a “Priority Fallback” as defined in Section 1.1 (*Specific provisions for certain Relevant Benchmarks*) of the 2006 ISDA Definitions Benchmarks Annex to the ISDA Benchmarks Supplement will not apply to the relevant transactions.

Accordingly, the provisions of Section 1.2 (*Consequences of a Benchmark Trigger Event*) of the 2006 ISDA Definitions Benchmarks Annex to the ISDA Benchmarks Supplement will apply following the TELBOR Cessation Announcement (which constitutes a “Benchmark Trigger Event” under the

⁶ Note that the ISDA Benchmarks Supplement is not designed for use with the 2021 Definitions.

⁷ If parties have adhered to the November 2022 Benchmarks Module and the ISDA Benchmarks Supplement also applies to a TELBOR transaction that is a covered transaction under the November 2022 Benchmarks Module, a “Priority Fallback” will apply for the purposes of the ISDA Benchmarks Supplement and parties should refer to the position as described under the paragraph of this Guidance entitled “*Application of the November 2022 Benchmarks Module to the TELBOR Cessation Announcement*”.

2006 ISDA Definitions Benchmarks Annex to the ISDA Benchmarks Supplement) and each party must seek to apply one or more “Alternative Continuation Fallbacks” prior to the “Cut-off Date” of the first TELBOR business day immediately following June 30, 2025.

The 2006 ISDA Definitions Benchmarks Annex to the ISDA Benchmarks Supplement includes equivalent Alternative Continuation Fallbacks to those set out in the 2021 Definitions. As such, the operation of the Alternative Continuation Fallbacks in the 2006 ISDA Definitions Benchmarks Annex to the ISDA Benchmarks Supplement is the same as the operation of the Generic Fallback Provisions in the 2021 Definitions. See the section above entitled, *‘Application of Versions 1.0 to 6.0 the 2021 Definitions to the TELBOR Cessation Announcement’*, for further details.

Annex 1

2006 ISDA Definitions – ILS-TELBOR01-Reuters

“ILS-TELBOR01-Reuters” means that the rate for a Reset Date will be the rate for deposits in Israeli Shekel for a period of the Designated Maturity which appears on the Reuters Screen TELBOR01 Page across from the caption “TELBOR TODAY” as of (A) in case of a Monday, Tuesday, Wednesday or Thursday, 1:00p.m, Tel Aviv time, (B) in case of a Friday, 12:00 noon, Tel Aviv time, in each case on the day that is two Tel Aviv Banking Days preceding that Reset Date. If such rate does not appear on the Reuters Screen TELBOR01 Page, the Reset Date will be determined as if the parties had specified “ILS-TELBOR-Reference Banks” as the applicable Floating Rate Option.

“ILS-TELBOR-Reference Banks” means that the rate for a Reset Date will be determined on the basis of the rates at which deposits in Israeli Shekel are offered by the Reference Banks at (A) in case of a Monday, Tuesday, Wednesday or Thursday, approximately 1:00 p.m., Tel Aviv time, (B) in the case of a Friday, approximately 12:00 noon, Tel Aviv time, on the day that is two Tel Aviv Banking Days preceding that Reset Date to prime banks in the Tel Aviv interbank market for a period of the Designated Maturity commencing on the Reset Date and in a Representative Amount. The Calculation Agent will request the principal Tel Aviv office of each of the Reference Banks to provide a quotation of its rate. If at least 5 quotations are provided, the rate for the Reset Date will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the case of equality, one of the lowest). If at least two quotations are provided, the rate for that Reset Date will be the arithmetic mean of the quotations (rounded if necessary, in accordance with the method set forth in Section 8.1 (a), but to the nearest one thousandth of a percentage point (0.001%)). If fewer than two quotations are provided, the rate for that Reset Date will be determined by the Calculation Agent, using a representative rate.