## Questions

**Instructions for submitting responses is available here. The deadline to respond is July 12, 2019.**

During the consultation period, ISDA will publish a webinar to introduce the consultation. This will be during the week of May 20, 2019. You can also submit questions to fallbackconsult@isda.org at any time during the consultation period.

*Note to Recipients: By participating in this consultation, you agree not to use this process for any anticompetitive purpose, and further agree and warrant that you will not engage in any conduct that would cause any other party participating in this consultation to be in violation of any competition or antitrust law or regulation. ISDA has taken and will continue to take safeguards and protections to ensure that the use of the results of this consultation comply with applicable laws and regulations.*

Relying on the responses to this consultation, ISDA will identify the approaches for calculating the adjusted RFR and spread adjustments for each of USD LIBOR, CDOR and HIBOR pursuant to the process described on page 19 of the July 2018 Consultation. ***In responding to questions 1-5 below, please indicate whether your answers apply to USD LIBOR, CDOR and HIBOR or indicate the IBORs to which your answers apply. You are welcome to provide different answers for different IBORs.***

If you responded to the July 2018 Consultation and you wish to affirm that the responses you provided for that consultation apply equally to the questions above in relation to USD LIBOR/SOFR, CDOR/CORRA and HIBOR/HONIA, you may use the template wording available here when submitting your response to this consultation to ISDA.

1. Based on the results of the July 2018 Consultation, the compounded setting in arrears rate approach and the historical mean/median approach will be used to calculate the fallbacks for GBP LIBOR, CHF LIBOR, JPY LIBOR, TIBOR, Euroyen TIBOR and BBSW. Is the compounded setting in arrears rate approach and the historical mean/median approach also appropriate for fallbacks for USD LIBOR, CDOR and HIBOR? Please explain why or why not.

2. If the compounded setting in arrears rate approach and the historical mean/median approach are not suitable for fallbacks for USD LIBOR, CDOR and HIBOR, is another combination of approaches more appropriate?

   As explained on page 16 of the July 2018 Consultation, the following pairs of adjusted RFR and spread adjustment are possible:

   1. Compounded Setting in Arrears Rate with Forward Approach
   2. Compounded Setting in Advance Rate with Forward Approach
   3. Spot Overnight Rate with Historical Mean/Median Approach
   4. Convexity-adjusted Overnight Rate with Historical Mean/Median Approach
   5. Compounded Setting in Arrears Rate with Historical Mean/Median Approach
   6. Compounded Setting in Advance Rate with Historical Mean/Median Approach
   7. Spot Overnight Rate with Spot-Spread Approach
   8. Convexity-adjusted Overnight Rate with Spot-Spread Approach
   9. Compounded Setting in Advance Rate with Spot-Spread Approach

   Please rank your preferred combinations (with 1 as your top preference) and explain. *If you are completely opposed to an approach to adjusted RFRs, please do not rank it but explain why you are completely opposed to it.*

3. Please indicate whether you would not be able to transact using definitions that incorporate fallbacks based on the compounded setting in arrears rate approach and the historical mean/median approach. If you would not be able to transact please give specific examples of the types of derivatives for which the fallbacks would be problematic and explain why.

4. Please provide separate comments on the general appropriateness and effectiveness of each of the four approaches to the adjusted RFRs and three methodologies for the spread adjustments. Please specifically comment on the operational challenges, economic impacts, implications for hedging, feasibility of implementation and any other complexities. Indicate whether your comments apply to all contracts, new contracts only or legacy contracts only. With respect to any operational challenges, please explain how long it would take to overcome such challenges.

5. Questions about specific methodologies for calculating the spread adjustment.

   *Unless you are suggesting the use of an approach other than the historical mean/median approach, please only respond to the questions relating to the historical mean/median approach.*

   (a) Forward Approach

      (i) Should the forward approach be based on data from the day prior to the trigger only or a number of days or months prior to the trigger? If the latter, how many days or months? Please specifically consider 5 trading days, 10 trading days, 1 month and 3 months but also indicate whether a different length is most appropriate and explain why.

      (ii) What is the appropriate length of the forward spread curve? Please specifically consider 30 years, 40 years, 50 years and 60 years but also indicate whether a different length is more appropriate and explain why.

(iii) Would it be acceptable to use data for cleared transactions only when using the forward approach to calculate the spread adjustment? If so, how should the differential between central counterparties (CCPs) be addressed?

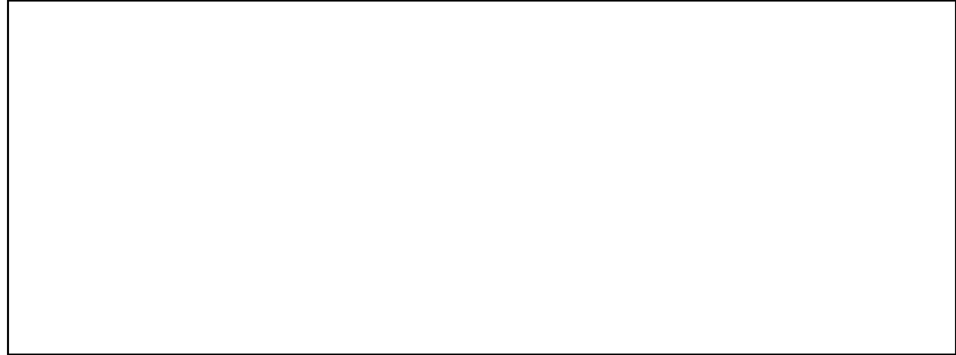
(b) Historical Mean/Median Approach

(i) What is the appropriate historical static lookback period? Please specifically consider 5 years and 10 years but also indicate whether a different time period is most appropriate and explain why.

(ii) Should the calculation be based on the mean or the median spot spread between the IBOR and the adjusted RFR? Please explain why.

(c) Spot-Spread Approach

(i) Should the spot-spread approach be based on data from the day prior to the trigger only or, alternatively, some number of days prior to the trigger? If the latter, how many days prior to the trigger should this be? Please specifically consider 5 trading days, 10 trading days and 1 month, but also indicate whether a different time period is most appropriate and explain why.



6. The Federal Reserve Bank of New York started officially publishing SOFR on April 3, 2018. It has also made available indicative SOFR values dating back to August 1, 2014 and the historical Overnight Treasury GC Repo Primary Dealer Survey Rate (which serves as a proxy for SOFR with a few technical differences), dating back to February 20, 1998. Would it be acceptable to use this indicative and proxy data when calculating the spread adjustment in respect of adjusted SOFR (i.e. as part of a lookback period)? Please explain why or why not.

7. SOR is an FX swap implied interest rate, computed from actual transactions in the USD/SGD FX swap market, utilizing USD LIBOR as the applicable USD interest rate. Therefore, a cessation of USD LIBOR would result consequently in a cessation of SOR. To address this risk, ABS Co and the SFEMC have recommended that, in the event of a permanent cessation of USD LIBOR (based on the definition of 'index cessation event' described above), an administrator should produce Adjusted SOR as a fallback reference rate based on actual transactions in the USD/SGD FX swap market and a USD interest rate calculated pursuant to the methodology used to calculate fallbacks for USD LIBOR in the updated 2006 ISDA Definitions (i.e. adjusted SOFR plus a spread adjustment). To implement this recommendation, ISDA will update the SGD-SOR-VWAP Rate Option in Section 7.1 of the 2006 ISDA Definitions to provide that upon a permanent discontinuation of USD LIBOR (as triggered by the definition of 'index cessation event' above), derivatives contracts that reference SGD-SOR-VWAP will fallback to this Adjusted SOR. Please comment on whether you have any concerns regarding this approach.