**Summary of the impact of IBOR Benchmark cessation to Regulatory Reporting (EMIR, MiFID II and APAC regimes)**

**Background**

The FCA confirmed on 5 March 2021 that all seven tenors for both euro and Swiss franc LIBOR, overnight, one-week, two-month and 12-month sterling LIBOR, spot next, one-week, two-month and 12-month yen LIBOR and one-week and two-month US dollar LIBOR will permanently cease immediately after December 31, 2021. Publication of one-month, three-month and six month sterling and yen LIBOR will be ‘non-representative’ immediately after December 31, 2021. Publication of the overnight and 12-month US dollar LIBOR settings will cease for good immediately after June 30, 2023. Publication of one-month, three-month and six-month US dollar LIBOR will either cease for good or be non-representative immediately after June 30, 2023.

Where market participants hold outstanding contracts with LIBOR exposure, regulators are encouraging such contracts are transferred to a risk-free rate (RFR). However, to address the risk that LIBOR is discontinued or becomes non-representative while market participants continue to have exposure to that rate, counterparties should agree to contractual fallback provisions that would provide for adjusted versions of the risk-free rates as replacement rates. To aid this, ISDA launched the IBOR Fallbacks Supplement and IBOR Fallbacks Protocol on 23 October 2020. There has been a high level of sign up to this Protocol, although counterparties may also choose to agree bespoke fallback provisions with their clients.

The fallback rates will be adjusted versions of the RFRs, and there are inherent structural differences between the LIBOR / IBORs and RFRs. IBORs are available in multiple tenors while RFRs are overnight rates. The IBOR rates also incorporate a bank credit risk premium and other factors. In creating the fallbacks, therefore, adjustments are needed to the RFRs to ensure contracts originally negotiated to reference an IBOR continue to meet the original objectives of the counterparties to the maximum extent possible once a fallback takes effect.

To compute the fallbacks, the RFRs will be compounded over the relevant IBOR period and a spread adjustment will be added to the compounded rate. The spread adjustment is based on the median over a five-year period of the historical differences between the IBOR in the relevant tenor and the relevant RFR compounded over each corresponding period. Bloomberg publishes the adjustments and all-in fallback rates via a variety of distribution platforms.

The purpose of a fallback is to be a replacement rate for when the relevant benchmark becomes unavailable. Fallbacks should not be considered as standalone reference rates and they do not change the contractually agreed reference rate of a trade. Fallbacks cannot be traded or identified as the underlying reference rate of a trade.

**Impact on regulatory reporting**

Legally, a LIBOR contract does not change upon cessation of the LIBOR rate as the fallback rate that will be triggered is part of the contract itself. However, regulators across global jurisdictions have stated it is essential for them to have transparency of the trade economics and therefore are requiring market participants to report updated trade details when a fallback rate is triggered. Regulators also require voluntary transfers to a RFR to be reported. Regulators have published guidance in various formats for how they expect market participants to report fallback rates / RFRs. Links to the guidance can be found below:

**ESMA**

* EMIR Q&A TR Question 53 (<https://www.esma.europa.eu/sites/default/files/library/esma70-1861941480-52_qa_on_emir_implementation.pdf>)
* MiFID Q&A Question 18 ([esma70-1861941480-56\_qas\_mifir\_data\_reporting.pdf (europa.eu)](https://www.esma.europa.eu/sites/default/files/library/esma70-1861941480-56_qas_mifir_data_reporting.pdf))

**FCA**

* EMIR news (<https://www.fca.org.uk/firms/uk-emir/news>)
* MiFIR (<https://www.fca.org.uk/markets/transaction-reporting/uk-mifir-data-reporting-libor-transition>)

**ASIC**

* [ASIC's guidance](https://urldefense.proofpoint.com/v2/url?u=https-3A__asic.gov.au_regulatory-2Dresources_markets_financial-2Dbenchmarks_ibor-2Dtransition-2Dand-2Dotc-2Dderivatives-2Dtransaction-2Dreporting_&d=DwMFAw&c=euGZstcaTDllvimEN8b7jXrwqOf-v5A_CdpgnVfiiMM&r=xEasF52fFhbh68XSV7xhVNb1P7NPzxB-LKlYbpuSvA8&m=6ATOTqHaldghHi3SyTwkjgNBN4mherTg0ZiObFhJnqs&s=E1Q478QkNaIizpgPq_t6wJcoliFzzBuPPBCrFMrW7ps&e=)

**MAS**

* [MAS’ FAQ on derivatives trade reporting](https://www.mas.gov.sg/-/media/MAS/Regulations-and-Financial-Stability/Regulations-Guidance-and-Licensing/Securities-Futures-and-Fund-Management/Regulations-Guidance-and-Licensing/FAQs/FAQs-on-the-Securities-and-Futures-Reporting-of-Derivatives-Contracts-Regulations-2013-29-Nov-2021final.pdf)

**HKMA/SFC**

* HKMA/SFC’s [FAQ](https://hktr.hkma.gov.hk/GetFile.aspx?databaseimageid=295601)

While the regulatory guidance provides guidance for much of the reporting requirements, there are still some elements not addressed. Therefore, members of the ISDA Data and Reporting Working Group calls (the ‘ISDA Data and Reporting EMEA Working Group’, the ‘ISDA Data and Reporting U.S. Compliance Working Group’, and the ‘ISDA AEJ Data and Reporting Compliance Working Group’) have considered any additional reporting clarification required.

This document aims to consolidate the regulatory guidance published by regulators along with the additional impacts to reporting requirements discussed within ISDA working groups that market participants may want to consider to meet the obligations for reporting fallbacks and transfers to RFRs.

While this summarises of the impact LIBOR cessation will have on regulatory reporting, it should not be considered to be a reporting best practice. Market participants should seek internal guidance on how to apply the requirements to meet their own reporting obligations.

**EMIR reporting (EU)**

**Reporting a Fallback rate**

ESMA’s guidance is upon LIBOR cessation or non-representativeness, any trades where the fallback rate has been triggered should be reported with action type ‘Modify’ (see Q&A TR Question 53(c)). The expectation is for the following fields to be updated: Product Identification (2.6), Floating Rate of Leg 1 (2.55) and Floating Rate of Leg 2 (2.58).

Product Identification (2.6) – derivative ISIN

TR Question 53(d) states that given “the derivative based on the fallback rate will be assigned a different ISIN than the equivalent derivative based on LIBOR, the counterparties should update the ISIN of the derivative when switching to a different rate”.

ESMA further clarified in a subsequent letter to ISDA “the counterparties [of derivatives identified with an ISIN] should update the identifier with a new ISIN corresponding to the relevant RFR used as fallback rate.” This letter also identified that ‘Option 1’ as presented in an ISDA letter to ESMA[[1]](#footnote-1) is how the derivative ISIN should be created. ‘Option 1’ proposed that **the ‘Reference Rate’ attribute of the derivative ISIN is populated with the underlying RFR on which adjustments are applied to produce the Fallback rate. The other attributes of the ISIN would remain unchanged, e.g. the Reference Rate Term Value and Reference Rate Term Unit values would be as they are for the original derivative ISIN based on the LIBOR rate. The ISDA Data and Reporting EMEA Working Group understand that this extends to the DSB template use for creating the OTC ISIN, i.e. the same template type used for creating the original OTC ISIN referencing the LIBOR rate would be used for the OTC ISIN when the fallback rate is triggered. See Table 1 for an example of how these three ISIN attribute fields would be populated pre- and post-cessation of LIBOR.**

**Table 1**

|  |  |  |
| --- | --- | --- |
| **ISO Attribute** | **Pre-Index Cessation value** | **Potential value for Fallback rate** |
| Reference Rate | GBP-LIBOR-BBA\* | GBP-SONIA |
| Reference Rate Term Value | 3 | 3 |
| Reference Rate Term Unit | MNTH | MNTH |

\* = This LIBOR rate is as per the 2006 ISDA Interest Rate Definitions. The same principle will apply if the pre-index cessation LIBOR rate is an FRO name from the 2021 ISDA Interest Rate Definitions.

It will be possible to create new OTC derivative ISINs at ANNA DSB ahead of the LIBOR cessation effective date, subject to normal conditions, i.e. (a) users connect during the DSB Production uptime – ([hours of operation are here](https://urldefense.proofpoint.com/v2/url?u=https-3A__www.anna-2Ddsb.com_operating-2Dhours-2Dand-2Dholidays_&d=DwMFAg&c=euGZstcaTDllvimEN8b7jXrwqOf-v5A_CdpgnVfiiMM&r=dsU0yH78B9FXD0SFcb24Mg&m=Bc9Oo24jy6DG8opziM27B7wbaBqj3cFQj0qmbWRvAYs&s=KrU6NlkkhAif1lH-162d5Me4cJLKWBScZlHnDRUxVXI&e=)) and (b) users remain within the user caps, (which may be up to 50,000 create requests a week).

Floating Rate of Leg 1 (2.55) and Floating Rate of Leg 2 (2.58)

ESMA stated in Q&A TR Question 53(a) that for these fields “counterparties should report in the free-text field the 4-letter code assigned to that reference rate is the ISO 20022 standard, to the extent it is available, as described in ISO 20022 Benchmark Curve Name Code”.

A proposal made by the Data and Reporting EMEA Working Group was that given a 4-letter code does not exist in the ISO 20022 standards for Fallback rates, and in order to clearly differentiate between (i) trades where the Fallback rate has been triggered, (ii) trades that have been transferred to a RFR and (iii) trades still using LIBOR (‘tough legacy’ trades, see below), all trades where the Fallback rate has been triggered will be reported with a suffix of “fallback” applied to the existing value of these Floating Rate fields. For example, a current Floating Rate value of “LIBO” would be amended to “LIBOfallback” following the triggering of the Fallback rate.

However, ESMA clarifies in the letter sent to ISDA that a suffix should not be used and instead entities should report 4-letter codes as specified in the technical standards or within the ISO 20022 standard. The ISDA Data and Reporting EMEA Working Group concluded that given ESMA require the RFR to be used for the derivative ISIN and do not expect to differentiate between derivatives using a RFR and derivatives where the Fallback rate has been triggered, (“the regulators do not expect different ISINs for those derivatives where RFR is used due to the fallback, compared to other derivatives where RFR is used due to a new trade or where counterparties decided to transition to RFR”), the Floating Rate of Leg 1 and Floating Rate of Leg 2 fields are to be populated with the **underlying RFR on which adjustments are applied to produce the Fallback rate.**

**Table 2 (below) was reviewed by the** ISDA Data and Reporting EMEA Working Group to ascertain the values are to be reported in these fields.

Note, the ISO 20022 standards do not currently contain 4-letter codes for the RFRs CHF-SARON and JPY-TONA, therefore the working group proposal is to report the concatenated value as per current EMIR reporting best practices.

**Table 2**

|  |  |  |  |
| --- | --- | --- | --- |
| **Rates covered by Protocol :** | | **4-letter code** | **EMIR fields** |
| **LIBOR rate\*\*** | **RFR on which adjustments are applied for Fallback Rate** | **ISO Benchmark Curve Name Code for RFR benchmark (i.e., before applying fallback calculations/adjustments)** | **Floating rate of leg 1 / 2 (2.55 & 2.58)** |
| CHF-LIBOR-BBA | CHF-SARON | N/A | CHFSARON |
| CHF-LIBOR-BBA-Bloomberg | CHF-SARON | N/A | CHFSARON |
| EUR-LIBOR-BBA | EUR-EuroSTR | ESTR | ESTR |
| EUR-LIBOR-BBA-Bloomberg | EUR-EuroSTR | ESTR | ESTR |
| GBP-LIBOR-BBA | GBP-SONIA | SONA | SONA |
| GBP-LIBOR-BBA Bloomberg | GBP-SONIA | SONA | SONA |
| JPY-LIBOR-BBA | JPY-TONA | N/A | JPYTONA |
| JPY-LIBOR-BBA-Bloomberg | JPY-TONA | N/A | JPYTONA |
| JPY-LIBOR-FRASETT | JPY-TONA | N/A | JPYTONA |
| USD-LIBOR-BBA | USD-SOFR | SOFR | SOFR |
| USD-LIBOR-BBA-Bloomberg | USD-SOFR | SOFR | SOFR |

\*\* = The LIBOR rates listed in Table 2 are the FRO names from the 2006 ISDA Interest Rate Definitions. The same fallback rates will apply to the 2021 ISDA Interest Rate Definitions FRO names of these benchmarks. Furthermore, the fallback conditions are captured within the 2021 ISDA Interest Rate Definitions itself.

Note, while the focus of this document is the LIBOR cessation, the EONIA benchmark will be discontinued on 3 January 2022. The fallback rate calculations for EONIA will be based on EuroSTR, (which has the reportable value of “ESTR” as per EMIR Q&A TR Question 53). The full fallback details are covered in Supplement 60 to the 2006 ISDA Interest Rate Definitions and are also in the 2021 ISDA Interest Rate Definitions.

Timing of reporting

ESMA do not provide guidance on when to report modification messages for derivative contracts where the Fallback rate becomes applicable. Discussions held on ISDA Data and Reporting EMEA Working Group calls came to the view that a Modify message is only required following the LIBOR cessation effective date (either 31 December 2021 or 30 June 2023, depending on the currency and tenor). However, market participants will need to take an internal view of whether to report (i) all impacted contracts immediately following the cessation effective date (as advised in the FCAs guidance, see below), or (ii) each contract as of the next reset date following the cessation effective date.

**Voluntary transfer to a risk free rate (RFR)**

Q&A TR Question 53(c) confirms that – similar to when a Fallback is triggered – counterparties are expected to amend the trade details by submitting a ‘Modify’ action type message.

The ISDA Data and Reporting EMEA Working Group considered whether, instead of reporting a modification, the guidance precludes market participants terminating the original LIBOR contract and booking a new RFR contract. However, the regulatory guidance only refers to the modification of a trade and market participants should seek internal advice on whether to report in an alternative way.

Product Identification (2.6) – derivative ISIN

ESMA expect a new derivative ISIN to be created when the floating rate of a contract is transferred from LIBOR (or any other IBOR rate) to a RFR. This new ISIN would be populated in the Product identification field.

Floating Rate of Leg 1 (2.55) and Floating Rate of Leg 2 (2.58)

The Floating Rate fields would need to be amended to reflect the new RFR. Where possible, the 4-letter ISO 20022 code should be used (see Table 2).

Timing of reporting

The voluntary transfer from LIBOR to a RFR can be carried out at any time. Once the transfer to a RFR is agreed and executed between the counterparties to a contract, the counterparties would be expected to report the modification as per standard BAU amendment reporting requirements.

**‘Tough legacy’ LIBOR trades**

‘Tough legacy’ trades are LIBOR contracts that cannot be transferred to a RFR and do not contain fallbacks. LIBOR will remain the floating rate for such contacts, but a different methodology will be applied, e.g., a synthetic rate that is published on a non-representative basis, another rate that could apply statutorily or, potentially, a reference bank poll.

Given ‘tough legacy’ trades will remain unchanged following LIBOR cessation, the ISDA Data and Reporting EMEA Working Group concluded there would be no additional trade reporting requirements. ‘Tough legacy’ trades would be identifiable post-cessation effective date due to the derivative ISIN remaining unchanged and the Floating Rate of Leg 1 and/or Floating Rate of Leg 2 fields will still be populated with “LIBO”.

**MiFID II (EU)**

**RTS 22 reporting**

The triggering of a Fallback rate does not fall within the scope of reportable transactions under RTS 22 Article 2. Therefore, there will not be a requirement to submit RTS 22 messages upon LIBOR cessation.

Similarly, voluntary transfers to a RFR are not reportable for RTS 22. As stated in the answer to MiFIR Q&A Question 18(d):

“the voluntary switch to risk-free rates is not considered a reportable transaction under MiFIR Article 26 as it would fall under RTS 22 Article 2(5)(i) exemption (the creation, expiration or redemption of a financial instrument as a result of pre-determined contractual terms, or as a result of mandatory events which are beyond the control of the investor where no investment decision by the investor takes place at the point in time of the creation, expiration or redemption of the financial instrument).”

If a Fallback rate has been triggered or if the trade has transferred from a LIBOR to a RFR, and there is a subsequent reportable event such as a notional increase or decrease, the opinion of the ISDA Data and Reporting EMEA Working Group is for the reference rate as at the time of the post-trade event to be populated on the message, i.e. the RTS 22 report would reflect the Fallback rate / RFR.

**ISINs and RTS 23 reporting**

As with the guidance for EMIR reporting, ESMA expect a new derivative ISIN to be created when a fallback rate is triggered. The same principles outlined above (see Table 1) will apply under MiFID II for creating the derivative ISIN when a fallback is triggered. See MiFIR Q&A Question 18.

Q&A Question 18(a) states that where an ISIN is assigned to a risk-free rate, the ISIN should be reported in the field ‘Underlying instrument code’. Additionally, the 4-letter ISO code for the rate should be populated for the ‘Underlying index name’, ‘Reference rate’ and ‘Floating rate of leg 2’.

As with EMIR reporting, if a 4-letter ISO code does not exist for a floating rate, a value of up to 25 alphanumeric characters is to be reported.

ESMA expect derivative ISINs to be created with reference to the RFR on which adjustments are applied to achieve the Fallback rate. Therefore, the relevant RTS 23 fields would be populated to reflect the underlying RFR applicable to the Fallback rate.

ESMA state in MiFIR Q&A Question 18(e) that when a derivative instrument is assigned a new ISIN as a result of the Fallback rate being triggered, reporting parties should (1) terminate the financial instrument in FIRDS and (2) resubmit to FIRDS the financial instrument reference data with the new ISIN (see EMIR section above for the attributes of the new ISIN).

**Voluntary transfer to a risk free rate (RFR)**

The ISDA Data and Reporting EMEA Working Group considered whether instead of reporting a modification, the guidance precludes market participants terminating the original LIBOR contract and booking a new RFR contract, and if so, whether this would result in an RTS 22 reporting requirement. The regulatory guidance only refers to the modification of a trade and market participants should seek internal advice on whether to report in an alternative way.

**EMIR (UK)**

**Reporting a Fallback rate**

FCA guidance clarifies that “an amendment to a reference rate or applying a fallback in place of LIBOR would constitute a modification” and would be reported with action type ‘Modify’.

Product Identification (2.6) – derivative ISIN

The FCA do not explicitly specify a new derivative ISIN should be created when a Fallback rate is triggered, but their guidance does state “where an ISIN can be generated to reflect the application of the fallback, you should update the ISIN in the relevant field(s).” This is understood to mean that if a new derivative ISIN is created for a trade, then the new ISIN should be reported for UK-EMIR. This would apply if a trade were in scope for both EU-EMIR and UK-EMIR, and a new derivative ISIN were created due to the EU-EMIR requirements.

Floating Rate of Leg 1 (2.55) and Floating Rate of Leg 2 (2.58)

The FCA guidance is for the fields Floating Rate of Leg 1 and Floating Rate of Leg 2 to amended after a Fallback rate has been triggered by adding a suffix of “fallback” to the value previously reported. This mean where “LIBO” is currently reported for either of these fields, a new value of “LIBOfallback” should be populated. This will differentiate Fallback rate trades from trades with a RFR as the floating rate and also from ‘tough legacy’ trades.

Timing of reporting

FCA state that the modification messages “should be reported no later than the working day after the application of a fallback”, going on to specify “for all sterling, euro, Swiss franc and Japanese yen settings, the modification should be reported one working day after 31 December 2021. In the case of all US dollar settings, the modification should be reported one working day after 30 June 2023.”

The 31 December 2021 and 30 June 2023 are the final dates on which the LIBOR rates will be published for the relevant currencies / tenors, so the next working days would be 4 January 2022 and 3 July 2023 respectively.

Bespoke fallback rates

Counterparties may agree fallback terms outside of the ISDA Protocol (a bespoke fallback). Where this is the case, the FCA clarify that the trades should be treated the same as trades that are covered by the ISDA Fallback Protocol, i.e. the Float Rate of Leg 1 / Leg 2 fields would be populated with “LIBOfallack” and a new derivative ISIN would be reported if applicable to do so (see above).

To note, ESMAs Q&A guidance does not specifically refer to bespoke fallbacks, but simply refers to fallback rates. The ISDA Data and Reporting EMEA Working Group therefore concluded that ESMAs guidance would apply equally to fallback rates covered by the ISDA Fallback Protocol and to bespoke fallback rates.

**Voluntary transfer to a risk free rate (RFR)**

As with ESMAs guidance, the FCA expect counterparties to report a modification message if a trade is transferred from LIBOR to a RFR.

The ISDA Data and Reporting EMEA Working Group gave consideration as to whether the FCAs guidance allows for the original LIBOR contract to be terminated and replaced with a new RFR contract. As with ESMA guidance, the FCA only refer to the modification of a trade and market participants should seek internal advice on whether to report in an alternative way.

Product Identification (2.6) – derivative ISIN

A new derivative ISIN is to be created when the floating rate of a contract is transferred from LIBOR (or any IBOR rate) to a RFR. The new ISIN would be populated in the Product identification field.

Floating Rate of Leg 1 (2.55) and Floating Rate of Leg 2 (2.58)

The Floating Rate fields would need to be amended to reflect the new RFR. Although the FCA do not specify the 4-letter ISO 20022 code should be used where available, the assumption made on ISDA Data and Reporting EMEA Working Group calls is that if a 4-letter ISO code exists for a RFR, it should be used for reporting.

Timing of reporting

The FCA guidance states the “modification should be reported no later than the working day\* after the alternative rate takes effect”. This is understood to mean (and has been verbally clarified by the FCA) that the counterparties will report the modification within one working day of the transfer to a RFR being agreed.

**‘Tough legacy’ LIBOR trades**

As with EU-EMIR reporting, the conclusion made on ISDA Data and Reporting EMEA Working Group calls is that there are no trade reporting requirements for ‘tough legacy trades. They will be identifiable post-cessation effective date because the derivative ISIN will remain unchanged and the Floating Rate of Leg 1 and/or Floating Rate of Leg 2 fields will still be populated with “LIBO”.

**MiFID II (UK)**

**RTS 22 reporting**

The FCA guidance aligns with ESMAs whereby if the only change to a contract is to the reference rate, the contract is not in scope for transaction reporting: “Where the only amendment to the contract is the reference rate and associated spread, a new transaction report should not be submitted”. This applies to the reference rate changing as a result of a fallback or a transfer to a RFR.

Any other amendments that result in a reportable transaction, such as a change in notional, would lead to a new transaction report to be submitted, in line with normal MiFID II requirements.

**ISINs and RTS 23 reporting**

The FCA state that “where a change in reference rate would result in a new ISIN”, the ISIN for the existing instrument should be terminated and the ISIN for the new financial instrument is submitted. This guidance is essentially the same steps outlined in the ESMA Q&A for RTS 23 reporting.

**Voluntary transfer to a risk-free rate (RFR)**

As with EU-MiFID II reporting, the ISDA Data and Reporting EMEA Working Group considered whether instead of reporting a modification, the guidance precludes market participants terminating the original LIBOR contract and booking a new RFR contract, and whether this would result in an RTS 22 reporting requirement for UK-MiFID II. The FCAs guidance is similar to ESMAs in that it only refers to the modification of a trade and so market participants should seek internal advice on whether to report in an alternative way.

**Process voluntary transfers to RFRs for cleared trades**

It is understood that some clearing houses (CCPs) will process transfers to RFRs by terminating the original trade and booking a new trade(s), as opposed to modifying existing trades. Where this is the case, CCPs are expected to inform their local competent authority. There is no expectation that the regulatory guidance published for ESMA or FCA will be amended to specify the reporting of cleared trades.

In order to provide an audit trail and link the new trade(s) resulting from transfers to a RFR with the original trade, a proposed solution that CCPs may utilise is for the UTI of the terminated original trade to be populated in the ‘Report tracking number’ field (# 2.13) of the new trade(s).

CCPs are expected to provide their members with more detailed information on the processes for transferring from LIBOR to a RFR.

**Asia Pacific**

For Australia, Hong Kong, Singapore, and South Korea[[2]](#footnote-2), their aligned approach is for reporting entities to report the Fallback FRO Name according to ISDA’s 2021 interest rate derivatives definitions. ASIC, HK SFC and HKMA, and MAS have updated their guidance and FAQs to provide clarification on their reporting requirements in this respect. Amongst the APAC regional regulators, MAS has adopted a more flexible approach. In MAS’ correspondence with ISDA, MAS indicated that while the Fallback FRO Name is preferred, it would not have objections if reporting entities report according to ESMA’s approach (which is the RFR code on which adjustments are applied to produce the Fallback Rate), or UK FCA’s approach (which is IBOR ISO Code + “fallback” suffix).

**Table 3** below summarises the APAC regulators’ reporting requirements re IBOR transition:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Australia** | **Hong Kong** | **Korea** | **Singapore** |
| **Inclusion of fallback provisions**  (e.g. reference to fallback rates or via adherence to [ISDA 2020 IBOR Fallbacks Protocol](http://assets.isda.org/media/3062e7b4/08268161-pdf/)) | Not reportable | Not reportable | Not reportable | Not reportable |
| **Amendment/replacement of rates in derivatives contracts**  (e.g. replacement of an IBOR with a fallback rate or alternative reference rate as fallback provision is triggered, or when counterparties agree to amend the derivative contract to replace the original reference rate) | T+1 | T+2 | T+1 | T+2 |
| **Entry into new contracts**  (could involve termination or no termination of existing contracts) | Report | Report | Report | Report |
| **What to report** | RFR on which adjustments are applied to produce the Fallback Rate (the RFR FRO name is according to ISDA 2021 Definitions) | RFR on which adjustments are applied to produce the Fallback Rate (the RFR FRO name is according to ISDA 2021 Definitions) | RFR on which adjustments are applied to produce the Fallback Rate (the RFR FRO name is according to ISDA 2021 Definitions) | RFR on which adjustments are applied to produce the Fallback Rate (the RFR FRO name is according to ISDA 2021 Definitions) - preferred  No objections to use of:   * 4-letter ISO Benchmark Curve Name Code for RFR benchmark (ESMA’s approach) or * IBOR ISO Code + "fallback" suffix (FCA’s approach) |

The relevant extracts of the APAC regulators’ guidance and FAQs are provided below.

**Australia -** [**ASIC's guidance**](https://urldefense.proofpoint.com/v2/url?u=https-3A__asic.gov.au_regulatory-2Dresources_markets_financial-2Dbenchmarks_ibor-2Dtransition-2Dand-2Dotc-2Dderivatives-2Dtransaction-2Dreporting_&d=DwMFAw&c=euGZstcaTDllvimEN8b7jXrwqOf-v5A_CdpgnVfiiMM&r=xEasF52fFhbh68XSV7xhVNb1P7NPzxB-LKlYbpuSvA8&m=6ATOTqHaldghHi3SyTwkjgNBN4mherTg0ZiObFhJnqs&s=E1Q478QkNaIizpgPq_t6wJcoliFzzBuPPBCrFMrW7ps&e=)

Fallback triggering conversion

For the avoidance of doubt, trade reporting is required where a fallback rate or alternative reference rate automatically becomes the reference rate upon cessation of an IBOR, according to the terms of a fallback protocol or arrangement.

In relation to the above conversion method scenarios, it is ASIC’s view that:

* + an amendment to an existing contract modifying previously reported OTC derivative transaction information or OTC derivative position information triggers the requirement under the ASIC Rules to report that amendment as a Reportable Transaction or Reportable Position – that is a modification to an arrangement that is an OTC derivative under 2.2.1 of the ASIC Rules;
  + a termination of an existing contract triggers the requirement under the ASIC Rules to report that termination as a Reportable Transaction – that is a termination of an arrangement that is an OTC derivative under 2.2.1 of the ASIC Rules; and
  + an entry into a new contract triggers the requirement under the ASIC Rules to report that new contract as a Reportable Transaction – that is the entry into an arrangement that is an OTC derivative under 2.2.1 of the ASIC Rules.

Rule 2.2.3 of the ASIC Rules requires such modification, termination or entry into reports to be made **no later than the end of the next Business Day** after the requirement to report the information or change arises. Conversion methods used by market participants may not be limited to the conversion methods above. Where a market participant uses a different conversion method, the same principles apply that a termination or modification of an existing contract or the entry into of a new contract will trigger a reporting requirement under 2.2.1 of the ASIC Rules.

OTC derivative information to be reported

The changed and/or new OTC derivative information to be reported includes all relevant information. This includes that:

* + the name of the floating rate index should be reported as a **Floating Rate Option referred to in the 2021 ISDA Interest Rates Derivatives Definitions**– i.e. for reporting as ‘Floating rate index name (leg 1)’, ‘Floating rate index name (leg 2) and/or ‘Settlement rate or index’, as applicable;
  + where the type of product changes and a different ‘Unique product identifier’ more accurately identifies the product, that different ‘Unique product identifier’ should be reported – e.g. as an OIS product instead of an IRSwap product; and
  + all other relevant information is required to be reported, such as ‘Floating rate reset frequency’, ‘Rate reset frequency’, ‘Floating rate payment frequency’ and/or ‘Basis’, as applicable

**Hong Kong - HKMA/SFC’s** [**FAQ**](https://hktr.hkma.gov.hk/GetFile.aspx?databaseimageid=295601)

Reporting for the purpose of implementing interest rate benchmark reforms

**Q54. We have reported an IBOR-referenced OTC derivative transaction to the HKMA via the HKTR. Is an amendment to this transaction for the purpose of implementing interest rate benchmark reforms required to be reported under the phase 2 Reporting Rules? (*Added on 23 Nov 2021)***

Amending the contract of a reported transaction to include fallback provisions (such as referencing to a fallback rate or adhering to the 2020 IBOR Fallbacks Protocol) for the purpose of transitioning away from interbank offered rates (“IBORs”) is not by itself a reportable event.

When a replacement of an IBOR by a fallback rate or alternative reference rate is triggered and the economic value of the existing transaction is now based on the new replacement rate (regardless of whether the replacement takes place upon the cessation of the referenced IBOR or on an agreed date prior to its cessation), reporting entities should report the changes as an amendment event within the usual **T+2 reporting timeframe** (“T” here is interpreted as the date of the trigger of the replacement rate).

Alternatively, if the counterparties to the transaction opt to execute the amendment by terminating the existing transaction and entering into a new transaction with a new rate or new terms, both actions of termination and entry are subject to the reporting requirements under the phase 2 Reporting Rules.

When a reporting entity reports an alternative reference rate, it should select the appropriate field value from the HKTR floating rate coding scheme, which has included the **new benchmark rates and the new rate definitions in the 2021 ISDA Interest Rate Derivatives Definitions** (“2021 Definitions”). When there is a conflict between the counterparties of reporting a rate in the 2021 Definitions or an earlier version, reporting entities should report the rate in the 2021 Definitions. Reporting entities are, however, not required to report whether an alternative reference rate is a voluntary conversion or a result of a fallback application.

**Singapore –** [MAS’ FAQ on derivatives trade reporting](https://www.mas.gov.sg/-/media/MAS/Regulations-and-Financial-Stability/Regulations-Guidance-and-Licensing/Securities-Futures-and-Fund-Management/Regulations-Guidance-and-Licensing/FAQs/FAQs-on-the-Securities-and-Futures-Reporting-of-Derivatives-Contracts-Regulations-2013-29-Nov-2021final.pdf)

**Q4.7 If a derivatives contract is amended for the purpose of implementing interest rate benchmark reforms, would the amendment be subject to reporting requirements?**

A4.7: There are multiple ways for counterparties to implement the benchmark reforms to transition away from interbank offered rates (“IBORs”) and other key interest rates such as SOR. Depending on the changes made to the affected derivatives contracts, the changes may or may not be reportable under the SF(RDC)R.

Where a derivatives contract is amended to include fallback provisions such as a reference to fallback rates (e.g. via adherence to the ISDA 2020 IBOR Fallbacks Protocol), such a change is **not** reportable under the SF(RDC)R.

However, where the contractual terms being amended are data fields that are required to be reported under the SF(RDC)R, the changes are to be **reported within 2 business days** from the amendment. For example, where (i) counterparties agree to amend the derivatives contract to replace the original reference rate with another reference rate (e.g. from USD LIBOR to SOFR, from SOR to SORA), or (ii) a fallback provision is triggered such that the original reference rate is replaced with the fallback rate , such a change is required to be reported.

**There are no specific formatting requirements when reporting the change of the reference rate and reporting entities may continue to report the reference rate as per their current practice**. Further, if there are also changes to other contractual terms (e.g. payment frequency, data count), whether due to (i), (ii) or other reasons, such changes are also reportable.

Instead of amending contractual terms to implement the benchmark transition, counterparties may also terminate an affected derivatives contract and enter into a new derivatives contract. Terminating a previously reported derivatives contract and entering into a new derivatives contract are both subject to reporting requirements under the SF(RDC)R.

References:

• Regulation 7 of the SF(RDC)R

• First Schedule to the SF(RDC)R

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1. *Upload ISDAs letter to ESMA and put the link here.* [↑](#footnote-ref-1)
2. Based on KRX’s correspondence with ISDA. [↑](#footnote-ref-2)