

March 6, 2024

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

JBATA announcement of future permanent cessation of all Euroyen TIBOR 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 March 6, 2024 by JBA TIBOR Administration (“**JBATA**”) relating to the future cessation of all Euroyen TIBOR tenors (the “**Euroyen TIBOR Cessation Announcement**”).

On March 6, 2024, JBATA announced that, following public consultation, calculation and publication of all tenors (i.e. 1-week, 1-month, 3-month, 6-month and 12-month tenors) of the Euroyen Tokyo Interbank Offered Rate (“**Euroyen TIBOR**”) will cease immediately following a final publication on December 30, 2024 and that the last day of publication for Euroyen TIBOR will be December 30, 2024. The announcement can be found [here](#) (with the related [Annex 1](#) and [Annex 2](#))¹.

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.

¹ A Japanese language version of the Euroyen TIBOR Cessation Announcement can be found [here](#) (with the related [Annex 1](#) and [Annex 2](#)).

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 published by ISDA on its 'MyLibrary' platform as at the date of this Guidance (the "**2021 Definitions**") apply to the Euroyen TIBOR Cessation Announcement;
- (2) **2006 ISDA Definitions and the ISDA 2020 IBOR Fallbacks Protocol:** to describe how the terms of the 2006 ISDA Definitions published by ISDA (the "**2006 Definitions**") and the ISDA 2020 IBOR Fallbacks Protocol published on October 23, 2020 (the "**IBOR Fallbacks Protocol**") apply to the Euroyen TIBOR Cessation Announcement; and
- (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 Euroyen TIBOR Cessation Announcement.

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

The Euroyen TIBOR Cessation Announcement

On August 1, 2023, JBATA issued a consultation on whether to permanently cease Euroyen TIBOR and the specific timing of any cessation.

Having considered the feedback received, JBATA announced in the **Euroyen TIBOR Cessation Announcement**:

- “
- *This statement announces that the publication of all tenors (i.e. 1-week, 1-month, 3-month, 6-month, and 12-month) of Euroyen TIBOR will permanently cease immediately after the end of December 2024.*
 - *In advance of the publication of this statement, we have considered the permanent cessation of Euroyen TIBOR, and as of today, have completed all the procedures specified in Article 51 of the JBA TIBOR Operational Rules. The following are the main initiatives implemented.*
 - ✓ *As results of the Public Consultation on permanent cessation of Euroyen TIBOR and related issues ("Public Consultation") published in August 2023, we have confirmed that all the respondents supported for "to implement the permanent cessation of Euroyen TIBOR" and "to set its timing at the end of December 2024."*
 - ✓ *We conducted surveys on the exposures of certain products and transactions referencing Euroyen TIBOR and on the status of introduction of fallback provision (as of September 30, 2023). As results, we have concluded that the potential impact on financial and economic stability of the permanent cessation of Euroyen TIBOR at the end of December 2024 would be limited (see Appendix).*
 - *Given this statement and the reference banks' business day, the final publication of Euroyen TIBOR will be Monday, December 30, 2024. From the following day, Euroyen TIBOR will no longer be published through information providers and our website."*

Relevant Provisions under the 2021 Definitions

An Index Cessation Event under the 2021 Definitions can occur in respect of a relevant rate 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.

Application of the 2021 Definitions to the Euroyen TIBOR Cessation Announcement

The Euroyen TIBOR Cessation Announcement indicates that the publication of Euroyen TIBOR will permanently cease after publication on December 30, 2024. For the purposes of the 2021 Definitions, an Index Cessation Event with respect to Euroyen TIBOR occurred on March 6, 2024 by virtue of the announcement by JBATA that Euroyen TIBOR will permanently cease.² The related Index Cessation Effective Date will occur on the first Tokyo Business Day immediately following December 30, 2024³, being the first date on which Euroyen TIBOR would ordinarily have been published or provided and will no longer be published or provided and the first date on which Fallback Rate (TONA) will apply.

Events may arise in the future which may affect the timing and application of Fallback Rate (TONA). These include if a subsequent Index Cessation Event occurs with respect to Euroyen TIBOR. For example, if JBATA were to make a later announcement that Euroyen TIBOR 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 Euroyen TIBOR as published by Bloomberg Index Services Limited will be fixed on the earliest Index Cessation Event to occur.

Application of the 2006 Definitions and the IBOR Fallbacks Protocol to the Euroyen TIBOR Cessation Announcement

Supplement 70 to the 2006 Definitions, finalized on October 23, 2020 and published by ISDA and effective on January 25, 2021 (the “**IBOR Fallbacks Supplement**”) incorporates equivalent triggers and fallback provisions for Euroyen TIBOR to those included in the 2021 Definitions and the IBOR Fallbacks Protocol allows parties to amend their legacy documents (i.e. transactions referencing the 2006 Definitions which were entered into prior to the publication of the IBOR Fallbacks Supplement) to incorporate equivalent triggers and fallback provisions for Euroyen TIBOR to those included in the 2021 Definitions. As such, the application of the IBOR Fallbacks Supplement and the IBOR Fallbacks Protocol to the Euroyen TIBOR Cessation Announcement is the same as the application of the 2021 Definitions to the Euroyen TIBOR Cessation Announcement (except that the reference to the Index Cessation Effective Date occurring on the first Tokyo Business Day immediately following December 30, 2024 should be read as a reference to the first Tokyo Banking Day following December 30, 2024).

² This analysis applies equally to each version of the 2021 Definitions published by ISDA as at the date of this Guidance as no relevant amendments have been made to the provisions relating to Euroyen TIBOR following the publication of version 1.0 of the 2021 Definitions.

³ It is expected that the first Tokyo business day immediately following Monday, December 30, 2024 will be Monday, January 6, 2025 unless Monday, January 6, 2025 is an unscheduled holiday.

Transactions entered into prior to the publication of the IBOR Fallbacks Supplement (unless amended by the IBOR Fallbacks Protocol or substantively similar amendment agreements) will not include a reference to Fallback Rate (TONA), Index Cessation Event or Index Cessation Effective Date. Instead, the terms of the relevant Rate Option will apply in unamended form. Section 7.1(l) of the 2006 Definitions includes a Rate Option for Euroyen TIBOR, “JPY-TIBOR-ZTIBOR”. Pursuant to the terms of this Rate Option, 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, “JPY-TIBOR-TIBM-Reference Banks”, which sets out a dealer poll process requiring, in the first instance, quotations from Reference Banks. If quotations are not available, there is no express further fallback to the Calculation Agent determining the relevant rate and parties should consult their legal advisers as to the outcome in those circumstances.

As Euroyen TIBOR will not appear on the relevant screen after December 30, 2024, for the purposes of the Rate Option detailed above, the fallback to Reference Bank quotations will apply from the first Tokyo business day immediately following December 30, 2024, being the first day on which Euroyen TIBOR will no longer be provided.

Application of the Bloomberg Spread Adjustment to the Euroyen TIBOR Cessation Announcement

Bloomberg Index Services Limited (“**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 Euroyen TIBOR), will be the date on which the Index Cessation Event occurs (i.e. March 6, 2024).

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

BISL has confirmed that under the Bloomberg IBOR Fallback Rate Adjustments Rule Book, the Euroyen TIBOR Cessation Announcement will constitute an “IBOR Cessation Trigger Date”. Accordingly, the “Spread Adjustment Fixing Date” for all tenors of Euroyen TIBOR is March 6, 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 Euroyen TIBOR Cessation Announcement

For the purposes of the 2006 ISDA Definitions Benchmarks Annex to the ISDA Benchmarks Supplement,⁴ at the time of the Euroyen TIBOR Cessation Announcement regarding the permanent discontinuation of Euroyen TIBOR, “JPY-TIBOR-ZTIBOR”, as referenced in transactions incorporating the terms of the IBOR Fallbacks Supplement (whether directly or pursuant to the terms of the IBOR Fallbacks Protocol), includes a reference to a concept defined or otherwise described as an “index cessation event” with respect to Euroyen TIBOR. 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 apply to the relevant

⁴ Note that the ISDA Benchmarks Supplement is not designed for use with the 2021 Definitions.

transactions. The application of the “Priority Fallback” will result in a replacement benchmark applying in respect of Euroyen TIBOR.

If, notwithstanding the above, the “Priority Fallback” (i.e. the fallbacks for Euroyen TIBOR set out in the IBOR Fallbacks Supplement and the IBOR Fallbacks Protocol) fails to provide a means of determining a replacement for Euroyen TIBOR, 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 and each party must seek to apply one or more “Alternative Continuation Fallbacks”⁵ prior to the “Cut-off Date” of the first Tokyo business day immediately following December 30, 2024.

If, however, at the time of the Euroyen TIBOR Cessation Announcement regarding the permanent discontinuation of Euroyen TIBOR, “JPY-TIBOR-ZTIBOR” is referenced in transactions which incorporate the 2006 Definitions and are entered into prior to the publication of the IBOR Fallbacks Supplement (and which are not amended by the IBOR Fallbacks Protocol or substantively similar amendment agreements), for the purposes of those transactions and the 2006 ISDA Definitions Benchmarks Annex to the ISDA Benchmarks Supplement, “JPY-TIBOR-ZTIBOR” does not include a reference to a concept defined or otherwise described as an “index cessation event” with respect to Euroyen TIBOR. 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 and each party must seek to apply one or more “Alternative Continuation Fallbacks” prior to the “Cut-off Date” of the first Tokyo business day immediately following December 30, 2024.

⁵ For further information on the “Alternative Continuation Fallbacks”, please see the [ISDA Benchmarks Supplement FAQs](#).