# **EXHIBIT** **II-Lto 2021 ISDA Interest Rate Derivatives Definitions**

## **Additional Provisions for a Confirmation of a Transaction that is a Rate Swap Transaction or Cross-Currency Rate Swap Transaction applying Overnight Rate Compounding/Averaging or an Index Method[[1]](#footnote-1)**

***[Note: This annotated form and the annexed comparison table are based on Section 3.1.10 (Business Day Convention for Payment Dates), Section 3.1.12 (Business Day Convention for Period End Dates), Section 3.2.2 (Calculation Period), Section 7.2 (Certain Definitions Relating to Overnight Rate Averaging and Compounding) and Section 7.3.3 (Compounding with Observation Period Shift) of Version 3.0 of the Main Book of the 2021 ISDA Interest Rate Derivative Definitions******, Version 3.0 of the Floating Rate Matrix,*** ***Version 1.0 of the Compounding/Averaging Matrix and Version 3.0 of Exhibit II-L of the Exhibits to the 2021 ISDA Interest Rate Derivatives Definitions. These have been produced for use with loan facilities using the LMA Lookback With Observation Shift FA. While the “Cumulative Compounded RFR Rate” as set out in Schedule 15 of the LMA Lookback With Observation Shift FA is used only in relation to Market Disruption provisions (to the extent applicable), the economic result is the same as applying the “Daily Non-Cumulative Compounded RFR Rate” as set out in Schedule 14 to the full principal amount for the entire Interest Period (this being the mechanism by which interest is determined under the loan), and the Schedule 15 “Cumulative Compounded RFR Rate” is used in this annotated form and the annexed comparison table for ease of comparison. Parties should however check that there is no bespoke amendment to the facility agreement that needs to be reflected.]***

THIS ANNOTATED TEMPLATE AND ANNEXED COMPARISON TABLE DO NOT PURPORT TO BE AND SHOULD NOT BE CONSIDERED A GUIDE TO, OR AN EXPLANATION OF, ALL RELEVANT ISSUES OR CONSIDERATIONS IN CONNECTION WITH USING THE OVERNIGHT RATE COMPOUNDING METHODS/OVERNIGHT RATE AVERAGING METHODS SET OUT IN THE 2021 ISDA INTEREST RATE DERIVATIVES DEFINITIONS IN A SWAP HEDGING A LOAN FACILITY. PARTIES SHOULD CONSULT WITH THEIR LEGAL ADVISERS AND ANY OTHER ADVISER THEY DEEM APPROPRIATE PRIOR TO USING OR INCORPORATING THE OVERNIGHT RATE COMPOUNDING METHODS/OVERNIGHT RATE AVERAGING METHODS SET OUT IN THE 2021 ISDA INTEREST RATE DERIVATIVES DEFINITIONS IN A SWAP HEDGING A LOAN FACILITY. NONE OF ISDA, ITS DIRECTORS, EMPLOYEES, AGENTS OR ADVISORS ACCEPT ANY RESPONSIBILITY FOR ANY LOSS OR DAMAGE ARISING DIRECTLY OR INDIRECTLY FROM ANY USE TO WHICH ANY OF ITS DOCUMENTATION OR OTHER DOCUMENTATION MAY BE PUT.

[See Exhibit I to the 2021 ISDA Interest Rate Derivatives Definitions for the introduction, standard paragraphs and closing for the Confirmation.]

The terms of the particular Transaction to which this Confirmation relates are as follows:

1. General Terms:

|  |  |  |
| --- | --- | --- |
|  | [Party A Legal Entity Identifier (LEI):] | [Party A LEI][[2]](#footnote-2) |
|  | [Party B Legal Entity Identifier (LEI):] | [Party B LEI][[3]](#footnote-3) |
|  | Notional Amount: | [                   ] ***[Note: Parties to specify an amount corresponding to the principal of the facility agreement. Note that in the event of a prepayment in accordance with Clause 7 (Prepayment and Cancellation) of the LMA Lookback With Observation Shift FA, the Notional Amount of the swap will need to be amended accordingly.]*** |
|  | Trade Date: | [                   ] |
|  | Effective Date: | [                   ] |
|  | Termination Date: | [                   ] ***[Note: Parties to specify the date specified in the definition of “Termination Date” in the facility agreement.]*** |
|  | [Termination Date adjustment for Unscheduled Holiday:] | [Inapplicable][[4]](#footnote-4) ***[Note: The LMA Lookback With Observation Shift FA does not provide for the consequences of an Unscheduled Holiday, and so to avoid basis parties should consider specifying the Termination Date adjustment for Unscheduled Holiday as Inapplicable. As noted below, parties should consider deleting the language regarding a Period End Date as Delayed Payment and Early Payment are unlikely to be relevant.]*** |
|  | [Consequences of an Unscheduled Holiday:] | [The provisions of Section 2.3.6 (*Consequences of an Unscheduled Holiday*) and Section 2.3.7 (*Unscheduled Holiday*) of the 2021 ISDA Interest Rate Derivatives Definitions will not apply to this Transaction] ***[Note: The LMA Lookback With Observation Shift FA does not provide for the consequences of an Unscheduled Holiday, and so to avoid basis parties should consider amending the default position that an Unscheduled Holiday will result in a Payment Date falling on the first following day that is a Business Day.]***  |
|  | Calculation Agent: | [                   ][[5]](#footnote-5) |
|  | [Notification Deadline:] | [                   ][[6]](#footnote-6) |

2. Fixed Amounts:

|  |  |  |
| --- | --- | --- |
|  | Fixed Amount Payer: | [Party A/B] |
|  | [Fixed Amount Payer Payment Dates:] | [                   ], subject to adjustment in accordance with the FRN Convention ***[Note: Parties to consider aligning these dates and the applicable convention with the Floating Amount Payer Payment Dates.]*** |
|  | [Fixed Amount/Fixed Rate:][[7]](#footnote-7) | [                   ] |
|  | [Fixed Rate Day Count Fraction:][[8]](#footnote-8) | [                   ]  |
|  | [Fixed Negative Interest Rate Method:] | [Applicable/Inapplicable][[9]](#footnote-9) |
|  | [Rounding:] | [                   ][[10]](#footnote-10) |

3. Floating Amounts:

|  |  |  |
| --- | --- | --- |
|  | Floating Amount Payer: | [Party B/A] |
|  | [Floating Amount Payer Payment Dates:][[11]](#footnote-11) | [                   ], subject to adjustment in accordance with the FRN Convention ***[Note: Parties should insert the last day of each Interest Period under the facility agreement. Consider applying the FRN Convention for greater alignment with the LMA Lookback With Observation Shift FA.]***  |
|  | Floating Rate Option: | [                   ] ***[Note: This Floating Rate Option should match the applicable RFR specified in the facility agreement. Note however that triggers and fallbacks will differ between the RFR in the LMA Lookback With Observation Shift FA and the Floating Rate Option in the 2021 ISDA Interest Rate Derivatives Definitions Floating Rate Matrix.]*** |
|  |  | ***[Note: Parties to delete field unless the default position in the facility agreement has been varied.]*** |
|  |  | ***[Note: Parties to delete field unless the default position in the facility agreement has been varied.]*** |
|  |  | ***[Note: Parties to delete field unless the default position in the facility agreement has been varied.]*** |
|  | Spread: | [Plus/Minus           %] [None] ***[Note: Although uncommon for the Margin (as defined in the facility agreement) to be included as a Spread, parties to consider whether any credit adjustment spread should be included to align with the position in the facility agreement.]*** |
|  | Floating Rate Day Count Fraction: | [                   ][[12]](#footnote-12) |
|  | Reset Dates: | The last day of each Calculation Period [, subject to adjustment in accordance with the [Following/Modified Following/Preceding] Business Day Convention][[13]](#footnote-13) |
|  | [Rounding:] | [                   ][[14]](#footnote-14) ***[Note: Parties to consider specifying the same rounding convention as specified in the definition of “Annualised Cumulative Compounded Daily Rate” in Schedule 14 (Daily Non-Cumulative Compounded RFR Rate) of the LMA Lookback With Observation Shift FA.]***  |
|  | [Floating Negative Interest Rates:] | [Inapplicable/Applicable – [Floating Negative Interest Rate Method/Zero Interest Rate Method/Zero Interest Rate Method Excluding Spread]][[15]](#footnote-15) ***[Note: The “Floating Negative Interest Rate Method” applies by default. If parties wish to floor the Floating Rate for the entirety of the Calculation Period (i.e. the compounded RFR plus any applicable Spread, as defined in the 2021 ISDA Interest Rate Derivatives Definitions) at zero, specify Zero Interest Rate Method as Applicable. Note however that there is no equivalent in the LMA Lookback With Observation Shift FA.]*** |
|  |  | ***[Note: Parties to delete field unless the default position in the facility agreement has been varied.]*** |
|  |  | ***[Note: Parties to delete field unless the default position in the facility agreement has been varied.]*** |

4. Business Days:

|  |  |  |
| --- | --- | --- |
|  | [Business Days:] | [                   ] ***[Note: This should match the definition of “Business Days” specified in the facility agreement.]*** |
|  | [Business Day Convention:] | [FRN Convention] ***[Note: Consider applying the FRN Convention for greater alignment with the LMA Lookback With Observation Shift FA.]*** |

5. Compounding/Averaging:

|  |  |  |
| --- | --- | --- |
|  | Compounding: | Compounding with Observation Period Shift |
|  | Observation Period Shift:[[16]](#footnote-16) | [Five] Observation Period Shift Business Days[[17]](#footnote-17) ***[Note: Parties will need to insert the same value here as specified in respect of the Lookback Period under the facility agreement. Parties should also check that the “Observation Period Shift Business Days” align with the “RFR Banking Days” in the facility agreement.]*** |
|  | Set-in-Advance: | Not Applicable ***[Note: Specify Set-in-Advance as Not Applicable as there is no option to set the rate in advance of the Interest Period under the LMA Lookback With Observation Shift FA.]*** |
|  | Observation Period Shift Additional Business Days: | Not Applicable ***[Note: The LMA Lookback With Observation Shift FA does not include an option for parties to specify Observation Period Shift Additional Business Days so by default this should not apply to a swap hedging a loan documented under the LMA Lookback With Observation Shift FA.]*** |
|  | [Daily Capped Rate and/or Daily Floored Rate:][[18]](#footnote-18) | [Applicable/Not Applicable] |
|  | [Daily Capped Rate:] | [[ ]%] ***[Note: The LMA Lookback With Observation Shift FA does not include an option for parties to specify a daily cap for the “Daily Rate” so by default the Daily Capped Rate should not apply to a swap hedging a loan documented under the LMA Lookback With Observation Shift FA.]*** |
|  | [Daily Floored Rate:] | [[ ]%] ***[Note: The Daily Floored Rate should match the daily floor specified in the LMA Lookback With Observation Shift FA. If parties wish to floor the Floating Rate for the entire period, rather than the daily RFR, then parties should specify Zero Interest Rate Method as Applicable in the [Floating Negative Interest Rates] field.]*** |
|  | [Day Count Basis:][[19]](#footnote-19) | [                   ] ***[Note: This Day Count Basis should match the “dcc” in the facility agreement (which may be determined by reference to market practice).]*** |

|  |  |  |
| --- | --- | --- |
|  |  | ***[Note: The triggers and fallbacks provided for the relevant Floating Rate Option in the 2021 ISDA Interest Rate Derivatives Definitions Floating Rate Matrix and for the Daily Rate in Schedule 13 (Reference Rate Terms) of the LMA Lookback With Observation Shift FA will differ. This will be the case for a temporary non-publication of the relevant RFR, the permanent cessation of the relevant RFR and an Administrator/Benchmark Event (as defined in the 2021 ISDA Interest Rate Derivatives Definitions).]*** |

Annex

Comparison Table: ISDA and LMA Observation Shift formulae

See below a comparison of the ISDA Compounding with Observation Period Shift formula in Section 7.3.3 (*Compounding with Observation Period Shift*) of the 2021 ISDA Interest Rate Derivatives Definitions and the Cumulative Compounded RFR Rate formula in Schedule 15 (*Cumulative Compounded RFR Rate*) of the LMA Single Currency Term and Revolving Facilities Agreement incorporating backward-looking compounded rates (lookback with observation shift) dated 28 May 2021 (the “**LMA Lookback With Observation Shift FA**”). Commentary on each input to these formulae, as well as the applicable rounding and business day conventions, is included in the table below.

| No. | Input | ISDA Compounding with Observation Period Shift | LMA Lookback With Observation Shift (Cumulative Compounded RFR Rate) | Commentary |
| --- | --- | --- | --- | --- |
|  | Compounding formula | $$\left[\prod\_{i=1}^{d\_{0}}\left(1+\frac{Underlying Benchmark Level\_{i} × n\_{i}}{Day Count Basis}\right)-1\right]×$$$$\frac{Day Count Basis}{d}$$ | $$\left[\prod\_{\dot{ⅈ}=1}^{d\_{0}}\left(1+\frac{DailyRate\_{i}×n\_{i}}{dcc}\right)-1\right]× \frac{dcc}{d}$$ | While the compounding formula specified for the LMA Lookback With Observation Shift FA is used only in relation to Market Disruption provisions (to the extent applicable), the economic result is the same as applying the daily non-cumulative compounding methodology to the full principal amount for the entire Interest Period (this being the mechanism by which interest is determined under the loan) and is used here for ease of comparison. |
|  | d0 | “**d0**” is the number of Applicable Business Days in the Observation Period.  | “**d0**” means the number of RFR Banking Days in the Observation Period.  | These inputs are expected to produce the same value provided:1. the Observation Period under the swap matches the Observation Period under the loan (see row 3 below); and
2. the Applicable Business Days specified under the swap are the same as the RFR Banking Days specified under the loan (see row 5 below).
 |
|  | Observation Period | “**Observation Period**” means: 1. if “Set-in-Advance” is not applicable, for any Calculation Period, the period from, and including, the date “s” Observation Period Shift Business Days preceding the first calendar day of the Calculation Period (and the first Observation Period shall begin on and include the date “s” Observation Period Shift Business Days prior to the Effective Date) to, but excluding, the date “s” Observation Period Shift Business Days preceding the Period End Date at the end of the Calculation Period (or, in respect of the final Observation Period, to, but excluding, the date “s” Observation Period Shift Business Days preceding the Termination Date) (the “**Standard Observation Period End Date**”); or
2. if “Set-in-Advance” is applicable, the Set-in-Advance Observation Period.
 | “**Observation Period**” relating to an Interest Period for a Loan is the period from and including the day falling the applicable Lookback Period prior to the first day of that Interest Period and ending on, but excluding, the day falling the applicable Lookback Period prior to the last day of that Interest Period. | These inputs are expected to produce the same value provided:1. the Observation Period Shift specified under the swap matches the Lookback Period specified under the loan (see row 4 below);
2. the Applicable Business Days specified under the swap are the same as the RFR Banking Days specified under the loan (see row 5 below);
3. the Calculation Periods under the swap match the Interest Periods under the loan (see row 6 below); and
4. Set-in-Advance does not apply under the swap (see row 12 below).
 |
|  | Observation Period Shift/Lookback Period | “**s**” is:1. the number specified as the “Observation Period Shift” in the Confirmation; or
2. if a number is not specified for the purpose of the “Observation Period Shift” in the Confirmation and the Relevant Overnight Floating Rate Option is included in the Compounding/Averaging Matrix, the number (if any) specified as the “Observation Period Shift” for the Relevant Overnight Floating Rate Option in the Compounding/Averaging Matrix; or
3. if a number is not specified for the purpose of the “Observation Period Shift” in the Confirmation or in the Compounding/Averaging Matrix, five.
 | **Lookback Period:** [Five] RFR Banking Days. | Parties should specify an Observation Period Shift in the Confirmation which matches the Lookback Period specified for the relevant currency in the facility agreement. If not specified in the Confirmation, the first default is to the value specified in the ISDA Compounding/Averaging Matrix, if any, which may not match the agreed Lookback Period under the LMA Lookback With Observation Shift FA. The ultimate default of five Applicable Business Days for Observation Period Shift in the Confirmation matches the default of five RFR Banking Days for the Lookback Period in the LMA Lookback With Observation Shift FA provided the Applicable Business Days under the swap are the same as the RFR Banking Days under the loan (see row 5 below). |
|  | Applicable Business Day/RFR Banking Day | “**Applicable Business Day**” means:1. in respect of a Floating Rate Option that is included in the Floating Rate Matrix, the day specified as such in the Floating Rate Matrix; and
2. in respect of a Floating Rate Option that is not included in the Floating Rate Matrix, any day that is a Business Day or other relevant day that applies, or is specified as such, for the purposes of the determination of the Relevant Rate pursuant to such Floating Rate Option or, in the absence of any such specified Business Day or other relevant day, a Business Day in the principal financial center for the relevant currency of the Floating Rate Option.

“**Observation Period Shift Additional Business Day**” means a Business Day in the financial centers, if any, specified for such purpose in the Confirmation.“**Observation Period Shift Business Day**” means a day which is both an Applicable Business Day and an Observation Period Shift Additional Business Day. | “**RFR Banking Day**” is defined in Schedule 13 (*Reference Rate Terms*) for the applicable currency (USD, GBP or CHF). | Parties should ensure that the RFR Banking Day specified in Schedule 13 (*Reference Rate Terms*) of the LMA Lookback With Observation Shift FA matches the Applicable Business Day for the relevant Floating Rate Option. Parties should not specify any financial centers for the purpose of Observation Period Shift Additional Business Days in the Confirmation as there is no such ability to specify additional financial centers under the LMA Lookback With Observation Shift FA. |
|  | Calculation Period/Interest Period | “**Calculation Period**” means each period from, and including, one Period End Date for the relevant party to, but excluding, the next following applicable Period End Date during the Term of the Transaction, except that:1. the initial Calculation Period will commence on, and include, the Effective Date; and
2. the final Calculation Period will end on, but exclude, the Termination Date.
 | “**Interest Period**” means, in relation to a Loan, each period determined in accordance with Clause 9 (*Interest Periods*) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 8.3 (*Default interest*). Paragraph (a) of Clause 9.1 (*Selection of Interest Periods*) states that “[a] Borrower (or the Company on behalf of a Borrower) may select an Interest Period for a Loan in the Utilisation Request for that Loan or (if the Loan has already been borrowed) in a Selection Notice. Paragraph (f) states that “[e]ach Interest Period for a Facility A Loan shall start on the Utilisation Date or (if already made) on the last day of its preceding Interest Period”.Clause 8.2 (*Payment of Interest*) states that “[t]he Borrower to which a Loan has been made shall pay accrued interest on that Loan on the last day of each Interest Period.” | When specifying Period End Dates, parties should ensure that the Calculation Periods under the swap match the Interest Periods under the LMA Lookback With Observation Shift FA. Therefore, for loans that are intended to be hedged, parties will need to specify fixed dates on which Interest Periods end under the loan (the “**Interest Payment Dates**”) in the LMA Lookback With Observation Shift FA (i.e. the duration of an Interest Period cannot be chosen during the term of the loan, as is currently the default position). The Period End Dates under the swap will then need to match the fixed Interest Payment Dates under the loan. Clause 9.1(f) (*Selection of Interest Periods*) of the LMA Lookback With Observation Shift FA provides that an Interest Period starts on the last day of the preceding Interest Period. This is consistent with the concept of a Calculation Period under the swap. While not stated explicitly, the LMA Lookback With Observation Shift FA is drafted on the basis of the established loan market practice that the length of Interest Periods (and the extent to which days are “in” or “during” an Interest Period) is determined on an overnight basis and that, accordingly, the last day of an Interest Period does not fall “in” or “during” that Interest Period (see the LMA Commentary[[20]](#footnote-20)). Therefore, the period for which interest is calculated under the loan facility is consistent with the Calculation Period under the swap, i.e. interest accrues on and from the last day of any preceding period, to but excluding the payment date itself. In order to avoid any mismatch, parties should consider aligning the Payment Dates under the swap with the Interest Payment Dates. |
|  | i | “**i**” is a series of whole numbers from 1 to d0, each representing the relevant Applicable Business Day in chronological order from, and including, the first Applicable Business Day in the Observation Period. | “**i**” means a series of whole numbers from one to d0, each representing the relevant RFR Banking Day in chronological order in the Observation Period. | These inputs are expected to produce the same value provided the Observation Periods under the swap match the Observation Periods under the loan (see row 3 above).Note that the interest period provisions in the LMA Lookback With Observation Shift FA are structured such that the first and last day of an Interest Period falls on an RFR Banking Day. As a result, the definition of “i” in that document does not need to contemplate the first day in an Interest Period not being an RFR Banking Day and so does not contain an equivalent of paragraph (ii) of the ISDA Compounding with Lookback definition of “i”. |
|  | Benchmark Level/Daily Rate  | 1. “**Underlying Benchmark Leveli**” is, in respect of any Applicable Business Dayi:
2. [subject to paragraph (c) below, in respect of a Floating Rate Option that is identified as a Compounded Floating Rate Option in the Floating Rate Matrix, the level of the Underlying Benchmark for such Applicable Business Day as provided by the Administrator and published as of the Fixing Time on the Fixing Day;] ***[Note: This limb is in relation to Compounded Floating Rate Options, rather than Overnight Floating Rate Options, and is therefore not relevant to swaps hedging loans based on the LMA Lookback With Observation Shift FA.]***
3. subject to paragraph (c) below, in respect of a Floating Rate Option that is an Overnight Floating Rate Option the rate determined in accordance with the Floating Rate Option as if such Applicable Business Dayi were a Reset Date for the purpose of such Floating Rate Option; or
4. if “Daily Capped Rate and/or Daily Floored Rate” is specified as applicable in the Confirmation, either:

(I) the greater of the rate determined in accordance with paragraph (a) or (b) above, as applicable, and the Daily Floored Rate specified (if any); or(II) the lower of the rate determined in accordance with paragraph (a) or (b) above, as applicable, and the Daily Capped Rate specified (if any),as applicable; | “**DailyRatei**” means for any RFR Banking Day “**i**” in the Observation Period, the Daily Rate for that RFR Banking Day “**i**”.The definition of Daily Rate differs in respect of each currency. Assuming for the purposes of illustration that the LMA Lookback With Observation Shift FA is used in respect of a GBP-denominated loan, the Daily Rate is defined in Schedule 13 (*Reference Rate Terms*) as follows:“The “**Daily Rate**” for any RFR Banking Day is:1. the RFR for that RFR Banking Day; [or]
2. if the RFR is not available for that RFR Banking Day, [the percentage rate per annum which is the aggregate of:]
	1. the Central Bank Rate for that RFR Banking Day [; and
3. the applicable Central Bank Rate Adjustment][; or
4. if paragraph (b) above applies but the Central Bank Rate for that RFR Banking Day is not available, [the percentage rate per annum which is the aggregate of:]
5. the most recent Central Bank Rate for a day which is no more than [ ] RFR Banking Days before that RFR Banking Day[; and
6. the applicable Central Bank Rate Adjustment]],

rounded, in either case, to four decimal places [and if, in either case, that rate is less than zero, the Daily Rate shall be deemed to be zero]”. | Parties should be aware of the following differences between these inputs:1. **Observation Period Shift/Lookback**:the Observation Period Shift specified in the Confirmation and the Lookback Period specified in the facility agreement will need to match (see row 4 above);
2. **Capped Rate**: there is no ability under the LMA Lookback With Observation Shift FA to cap the rate, so by default parties should not specify a Daily Capped Rate in the Confirmation unless the facility agreement is drafted to incorporate a cap (which is not typically the case);
3. **Floored Rate**: the LMA Lookback With Observation Shift FA includes an option for parties to specify a daily floor for the “Daily Rate” (i.e. the RFR or fallback rate) observed on the relevant day. Parties are free to specify any value for the Daily Floored Rate under the swap (which should match the floor specified for the Daily Rate in the loan). Note that the Daily Floored Rate is applied to the daily observed rate (i.e. only the RFR); and
4. **Fallbacks**: the triggers and fallbacks provided for the relevant Floating Rate Option in the 2021 ISDA Interest Rate Derivatives Definitions Floating Rate Matrix and for the Daily Rate in Schedule 13 (*Reference Rate Terms*) of the LMA Lookback With Observation Shift FA will differ. This will be the case for a temporary non-publication of the relevant RFR, the permanent cessation of the relevant RFR and an Administrator/Benchmark Event (as defined in the 2021 ISDA Interest Rate Derivatives Definitions).
 |
|  | ni | “**ni**” is the number of calendar days from, and including, the day “i”to, but excluding, the earlier of (a) the next Applicable Business Day, and (b) the Standard Observation Period End Date or the Set-in-Advance Observation Period End Date (as applicable) for the Observation Period. | “**ni**” means, for any RFR Banking Day “**i**”, the number of calendar days from, and including, that RFR Banking Day “**i**” up to, but excluding, the following RFR Banking Day.  | These inputs are expected to produce the same value provided the Applicable Business Days under the swap are the same as the RFR Banking Days under the loan (see row 5 above) and Set-in-Advance does not apply under the swap (see row 12 below). |
|  | Day Count Basis/dcc | “**Day Count Basis**” is, in respect of a Floating Rate Option, as specified in the Confirmation, or, if not specified in the Confirmation, the denominator of the Floating Rate Day Count Fraction. | “**dcc**” means [360] / [365][[21]](#footnote-21) or, in any case where market practice in the Relevant Market is to use a different number for quoting the number of days in a year, that number.“**Relevant Market**” means the market specified as such in the applicable Reference Rate Terms.  | Parties should ensure that the “dcc” under the LMA Lookback With Observation Shift FA (which may be determined by reference to market practice) matches the Day Count Basis for the relevant Floating Rate Option under the swap, and populate the Day Count Basis field in the Confirmation accordingly.  |
|  | d | “**d**” is the number of calendar days in the Observation Period. | “**d**” means the number of calendar days in that Observation Period.  | These inputs are expected to produce the same value provided the Observation Periods under the swap match the Observation Periods under the loan (see row 3 above). |
|  | Set-in-Advance | The detailed definition of “**Set-in-Advance Observation Period**” is set out in Section 7.3.3 (*Compounding with Observation Period Shift*) of the 2021 ISDA Interest Rate Derivatives Definitions and has not been replicated here as it should not be applied by parties that are seeking to more closely align a swap with a facility agreement that is based on the LMA Lookback With Observation Shift FA. | N/A | There is no ability to Set-in-Advance under the LMA Lookback With Observation Shift FA and so parties should specify Set-in-Advance as Not Applicable in the Confirmation. |
|  | Rounding | The default position for rounding in respect of various overnight Floating Rate Options is set out in the 2021 ISDA Interest Rate Derivatives Definitions Matrix for use with the Overnight Rate Compounding Methods, Overnight Rate Averaging Methods and Index Methods (the “**Compounding/Averaging Matrix**”). Version 1.0 of the Compounding/Averaging Matrix specifies rounding for various Floating Rate Options as either one-ten thousandth of a percentage point (0.0001%) or one hundred-thousandth of a percentage point (0.00001%).If parties are referencing a Floating Rate Option that is not included in the Compounding/Averaging Matrix, rounding shall be as set out in Section 4.8 (*Rounding*) of the 2021 ISDA Interest Rate Derivatives Definitions. | The result of the compounding formula is rounded to the same number of decimal places as is specified in the definition of “Annualised Cumulative Compounded Daily Rate” in Schedule 14 (*Daily Non-Cumulative Compounded RFR Rate*). There is no default value specified for the number of decimal places to which the Annualised Cumulative Compounded Daily Rate is rounded in Schedule 14 (*Daily Non-Cumulative Compounded RFR Rate*).  | Parties should note the possible difference in rounding between the Compounding/Averaging Matrix or Section 4.8 (*Rounding*) of the 2021 ISDA Interest Rate Derivatives Definitions (as applicable) and the LMA Lookback With Observation Shift FA.  |
|  | Business Day convention | By default, the Fixed Amount Payer Payment Dates and Floating Amount Payer Payment Dates will be subject to adjustment in accordance with the Modified Following Business Day Convention. | Clause 9.3 (*Non-Business Days*) states that “[a]ny rules specified as “Business Day Conventions” in the Reference Rate Terms” shall apply to each Interest Period”.The definition of Business Day Conventions may differ in respect of each currency (although all currencies for which drafting is provided currently provide for the same definitions). Assuming for the purposes of illustration that the LMA Lookback With Observation Shift FA is used in respect of a GBP-denominated loan, the Business Day Convention is specified in Schedule 13 (*Reference Rate Terms*) as follows:1. “If any period is expressed to accrue by reference to a Month or any number of Months then, in respect of the last Month of that period:
2. subject to paragraph (iii) below, if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day;
3. if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and
4. if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.
5. If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).”

Clause 28.7 (*Business Days*) states that:1. “Any payment under the Finance Documents which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
2. During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.”
 | The default position under the 2021 ISDA Interest Rate Derivatives Definitions is that the Modified Following Business Day Convention will apply. However, the LMA Lookback With Observation Shift FA applies an ‘end-end’ convention that is similar to the FRN Convention in Section 3.1.13 (*Application of FRN Convention*) of the 2021 ISDA Interest Rate Derivatives Definitions. Parties should therefore consider applying the FRN Convention in the Confirmation. Parties should also consider disapplying the provisions in the 2021 Interest Rate Derivatives Definitions setting out the consequences of an Unscheduled Holiday. |

1. Annotated form of Exhibit II-L to 2021 Definitions for use in interest rate swaps where the Floating Amount is calculated by reference to an Overnight Floating Rate Option applying Compounding with Observation Period Shift (as published in the 2021 ISDA Interest Rate Derivatives Definitions) hedging a loan documented in a facility agreement based on the LMA Single Currency Term and Revolving Facilities Agreement incorporating backward-looking compounded rates (lookback with observation shift) dated 28 May 2021 (“**LMA Lookback With Observation Shift FA**”). [↑](#footnote-ref-1)
2. Optional field. [↑](#footnote-ref-2)
3. Optional field. [↑](#footnote-ref-3)
4. Parties need not include this field unless they wish for the “Consequences of an Unscheduled Holiday” provision to apply to Period End Dates and the Termination Date. The election provided in this field is not relevant for the purposes of determining a Payment Date. The “Consequences of an Unscheduled Holiday” provision set out in Section 2.3.6 (*Consequences of an Unscheduled Holiday*) of the 2021 ISDA Interest Rate Derivatives Definitions (“**2021 Definitions**”) apply to Payment Dates regardless of the election here. [↑](#footnote-ref-4)
5. If the Calculation Agent is a third party, the parties may wish to consider any documentation necessary to confirm its undertaking to act in that capacity. [↑](#footnote-ref-5)
6. This field is relevant for the purposes of Calculation Agent determinations (see Section 1.2.4(i)(b) (*Determinations by Calculation Agent*) of the 2021 Definitions and the related definition of Calculation Date in Section 1.2.5 (*Calculation Date*)) and if either Generic Fallbacks Provisions apply (see Section 8.6 (*Generic Fallback Provisions*)) or Cash Settlement provisions apply (see Section 18 (*Cash Settlement*)) and parties wish to amend the default time for the Notification Deadline set out in Section 1.5.2 (*Notification Deadline*). [↑](#footnote-ref-6)
7. Delete Fixed Amount or Fixed Rate as applicable. [↑](#footnote-ref-7)
8. Include Fixed Rate Day Count Fraction if a Fixed Rate is being included rather than a Fixed Amount. [↑](#footnote-ref-8)
9. “Fixed Negative Interest Rate Method” applies by default. Firms need only include this field if they wish to vary that position. [↑](#footnote-ref-9)
10. Include the rounding convention if firms do not want to rely on the default position as set out in Section 4.8 (*Rounding*) of the 2021 Definitions or as set out in the Currency/Business Day Matrix, as applicable. [↑](#footnote-ref-10)
11. Unless “Delayed Payment” or “Early Payment” applies, parties must specify the Payment Dates; there is no default position for Payment Dates. [↑](#footnote-ref-11)
12. If the Floating Rate Option is included in the Floating Rate Matrix and a Floating Rate Day Count Fraction is specified in the Floating Rate Matrix, it is not necessary to include this field unless parties want to use a different Floating Rate Day Count Fraction. [↑](#footnote-ref-12)
13. Exclude the bracketed language if Reset Dates are to be adjusted in accordance with the Business Day Convention applicable to Period End Dates. If the No Adjustment Business Day Convention applies to Period End Dates, Reset Dates will be subject to the Modified Following Business Day Convention, unless a different Business Day Convention is specified here. [↑](#footnote-ref-13)
14. Include the rounding convention if firms do not want to rely on the default position for the Floating Rate Option in the Compounding/Averaging Matrix or as set out in Section 4.8 (*Rounding*) of the 2021 Definitions if the relevant Floating Rate Option is not included in the Compounding/Averaging Matrix. [↑](#footnote-ref-14)
15. “Floating Negative Interest Rate Method” applies by default. Firms need only include this field if they wish to vary that position or to apply either the “Zero Interest Rate Method” or the “Zero Interest Rate Method Excluding Spread”. [↑](#footnote-ref-15)
16. This field and the following two fields relate to Compounding with Observation Period Shift or Averaging with Observation Period Shift. [↑](#footnote-ref-16)
17. This is an optional field, allowing parties to specify the number of Observation Period Shift Business Days’ shift being applied. If nothing is specified here, the number specified as the “Observation Period Shift” for the Relevant Overnight Floating Rate Option in the Compounding/Averaging Matrix shall apply and, if no such number is specified in the Compounding/Averaging Matrix, the default position of five Observation Period Shift Business Days’ shift will apply. If Set-in-Advance is applicable and the rate is to be determined as at the Reset Date, the Observation Period Shift should be specified as zero. If the rate is to be determined as at a number of business days prior to the Reset Date, then the relevant number of business days should be specified here in addition to applying Set-in-Advance. [↑](#footnote-ref-17)
18. This field and the related fields below can be applied when using an Overnight Rate Compounding Method or Overnight Rate Averaging Method. This is an optional field and firms can delete this and the following two fields for the Daily Capped Rate and Daily Floored Rate if not applying a daily cap or daily floor to the overnight rate. [↑](#footnote-ref-18)
19. The Day Count Basis will be the denominator of the Floating Rate Day Count Fraction if a Day Count Basis is not specified in the Confirmation. Firms need only include this field if they wish to vary that position. [↑](#footnote-ref-19)
20. The LMA Commentary to the Multicurrency Term and Revolving Facilities Agreements Incorporating Rate Switch Provisions (March 2021, updated May 2021) states that “[t]he documents are drafted throughout on the basis of the established practice that the length of Interest Periods (and the extent to which days are “in” or “during” an Interest Period) is determined on an overnight basis and that, accordingly, an Interest Period beginning on 27 May and ending on 27 June will take account of 27 May but not 27 June…This is also the basis on which the references in…Schedule [15] (*Cumulative Compounded RFR Rate*) to the number of days during an Interest Period and the extent to which a day is during an Interest Period would be construed.” (see “Duration of Interest Periods” on page 34). [↑](#footnote-ref-20)
21. Sterling and Hong Kong dollars follow a day count convention of 365 days. [↑](#footnote-ref-21)