

ISDA Launches IBOR Fallbacks Supplement and Protocol

NEW YORK, October 23, 2020 – The International Swaps and Derivatives Association, Inc. (ISDA) has today launched the IBOR Fallbacks Supplement and IBOR Fallbacks Protocol, marking a major step in reducing the systemic impact of a key interbank offered rate (IBOR) becoming unavailable while market participants continue to have exposure to that rate.

The supplement will amend ISDA’s standard definitions for interest rate derivatives to incorporate robust fallbacks for derivatives linked to certain IBORs, with the changes coming into effect on January 25, 2021. From that date, all new cleared and non-cleared derivatives that reference the definitions will include the fallbacks.

The protocol will enable market participants to incorporate the revisions into their legacy non-cleared derivatives trades with other counterparties that choose to adhere to the protocol. The protocol is open for adherence from today, and will become effective on the same date as the supplement: January 25, 2021. At launch, [257 derivatives market participants](#) had adhered to the protocol during the two-week pre-launch ‘[escrow period](#)’.

The fallbacks for a particular currency will apply following a permanent cessation of the IBOR in that currency. For derivatives that reference LIBOR, the fallbacks in the relevant currency would also apply following a determination by the UK Financial Conduct Authority (FCA) that LIBOR in that currency is no longer representative of its underlying market. In each case, the fallbacks will be adjusted versions of the risk-free rates identified in each currency. [Click here for more background](#) on fallbacks and the adjustment methodology.

“The implementation of fallbacks for derivatives will go a long way to mitigating the systemic risk that could occur following the disappearance of LIBOR or another key IBOR. With the fallbacks in place, derivatives market participants will be able get on with transitioning their IBOR exposures with confidence that there is a robust back-up in case of need,” said Scott O’Malia, ISDA’s Chief Executive.

The IBOR Fallbacks Supplement is [available here](#). The IBOR Fallbacks Protocol is [available here](#).

Watch a [short video on the benchmark fallbacks](#).

Sign up for a virtual event on the supplement and protocol. [Details are available here](#).

ISDA has published three webinars on fallbacks:

- [Bilateral Templates, ISDA Create and IHS Markit Outreach360](#)
- [IBOR Fallbacks Supplement and IBOR Fallbacks Protocol](#)
- [Methodology and Bloomberg Publication](#)

A User Guide to IBOR Fallbacks and Risk-free Rates is [available here](#).

For additional information on benchmark reform, visit ISDA's [benchmark reform and transition from LIBOR](#) page on the ISDA website.

For Press Queries, Please Contact:

Nick Sawyer, ISDA London, +44 20 3808 9740, nsawyer@isda.org

Lauren Dobbs, ISDA New York, +1 212 901 6019, ldobbs@isda.org

Joel Clark, ISDA London, +44 20 3808 9760, jclark@isda.org

Christopher Faimali, ISDA London, +44 20 3808 9736, cfaimali@isda.org

Nikki Lu, ISDA Hong Kong, +852 2200 5901, nlu@isda.org

About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 925 member institutions from 75 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's website: www.isda.org. Follow us on [Twitter](#), [LinkedIn](#), [Facebook](#) and [YouTube](#).

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