

LIBOR Currency/Maturities Discontinuations – Guidance Note

25th March 2013

Following the Wheatley Review of LIBOR (the “Review”) published in September 2012, the BBA consulted with the industry regarding implementing the recommended reforms.

This Guidance Note focuses solely on changes to LIBOR which followed from recommendation number 6 of the Review:

6. To improve this ability to corroborate submissions, the number of currencies and maturities for which submissions are made should be cut substantially to achieve a sharper focus on the more heavily used benchmarks.

The BBA published a consultation paper in November 2012 asking for feedback on proposals around the discontinuation of certain currencies and maturities of LIBOR which were responsive to recommendation number 6 of the Review. ISDA, in collaboration with the Rates Steering Committee and the Rates Implementation Group, submitted a response to the consultation¹. The consultation resulted in various rate discontinuations as advised by the BBA on 14th December 2012 (the “Rate Discontinuations”).

The following is the proposal as co-ordinated by a sub-working group of the Rates Implementation Group and agreed by ISDA membership to minimise market disruption with respect to the Rate Discontinuations.

The Rate Discontinuation schedule is as follows:

End of	LIBOR Rates Affected	Maturities to be Removed	Maturities Remaining
December 2012	Sterling Repo	All	None
February 2013	NZD	All	None
March 2013	DKK, SEK	All	None
May 2013	AUD, CAD	All	None
May 2013	CHF, EUR, GBP, JPY, USD	2wk, 4m, 5m, 7m, 8m, 9m, 10m, 11m	Overnight/spot-next, 1wk, 1m, 2m, 3m, 6m, 12m

This document should be reviewed with the ISDA LIBOR Discontinuation Amendment Letter [“Amendment Letter”](#).

This Guidance Note provides the market consensus among ISDA membership that participated in the working group discussions and is not meant to be binding in any way. ISDA is issuing this guidance in the interest of mitigating market risk and the promotion of orderly valuation and settlement of positions by market participants. Parties are not obliged to follow the guidance set forth below and may choose alternate means of addressing these events. Each market participant remains responsible for considering its own documentation and the specific terms of its own trades and forming its own conclusion on the proper interpretation of events.

¹ http://www2.isda.org/attachment/NTEyNw==/ISDA_response_to_BBA_Consultation_re_libor_8_12_12.pdf

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It has been agreed by members that the discontinuation of (i) LIBOR rates for currencies where some maturities shall be retained and some maturities will be eliminated and (ii) LIBOR rates for currencies where all such rates are being eliminated and no maturities will remain, should be addressed separately.

Discontinuation of Selected Maturities

The Amendment Letter applies only to transactions that relate to one or more discontinued LIBOR rate for currencies where some maturities will be retained. These rates, referred to in this Guidance Note and in the Amendment Letter as “Discontinued Rates”, are specified in the Amendment Letter. Although the Amendment Letter addresses all of the LIBOR rates for currencies that to date the BBA has indicated it will discontinue in respect of some, but not all, maturities, the Amendment Letter does not address LIBOR rates that are being discontinued by the BBA for currencies for which there will be no remaining maturities.

Provided that the Amendment Letter is signed by both counterparties, the following guidance will apply to transactions referencing one or more Discontinued Rates and any initial or final stub periods that specify linear interpolation by reference to one or more Discontinued Rates:

1. From the date on which publication of the stated Discontinued Rate(s) is discontinued, such Discontinued Rate(s) will be replaced with an interpolated rate using rates determined by reference to the closest longer and closest shorter Designated Maturities for the related Floating Rate Option.
2. Any rate defined by interpolation of specified rates, one or both of which are Discontinued Rates, will be determined by using that interpolation but by replacing the Discontinued Rate(s) using (i) if only the shorter specified rate is a Discontinued Rate, the rate determined by reference to the closest shorter Designated Maturity for the related Floating Rate Option and the longer rate specified in the Confirmation, since the longer rate has not been discontinued, (ii) if only the longer specified rate is a Discontinued Rate, the rate determined by reference to the closest longer Designated Maturity for the related Floating Rate Option and the shorter rate specified in the Confirmation, since the shorter rate has not been discontinued and (iii) if both the shorter specified rate and the longer specified rate are Discontinued Rates, the rates determined by reference to the closest shorter Designated Maturity and closest longer Designated Maturity for the related Floating Rate Option, since both specified rates have been discontinued
3. These fallbacks will supersede any other fallback stated in the Confirmation or in the 2006 ISDA Definitions.

Note: If further rates are discontinued a separate amendment agreement would be required.

Discontinuation of Currencies

Counterparties will need to bilaterally agree how to deal with transactions that reference LIBOR rates for discontinued currencies where there will not be any remaining maturities (e.g., not covered by the Amendment Letter) if they wish to alter fallback determinations already provided in their Confirmation or the 2006 ISDA Definitions.

The following options are possible approaches that market participants have discussed. Note that this is not an exhaustive list. ISDA does not endorse any particular approach and is providing this for

informational purposes. Parties should negotiate the relevant treatment of Confirmations and Transactions that relate to one or more of such rates as they consider appropriate.

1. Agree to use a substitute rate in lieu of the discontinued rate; or
2. Terminate affected trades.