ISDA Fallbacks vs. CCP Conversion – Worked Example

- Below is a hypothetical worked example to illustrate an individual interest period for: (i) the original 3M USD LIBOR contract; (ii) the original contract with ISDA Fallback applied *(as if the period was beyond cessation*)*; and (iii) the SOFR contract generated under CCP** conversion processes *(as if the period was beyond cessation*)*

- Whilst the ISDA Fallback methodology aims to maintain the same payment date as the original LIBOR contract (and therefore the determination of the Adjusted RFR, used in the calculation of the 'all in' fallback rate, uses an accrual period corresponding to the tenor of the IBOR over which the underlying RFR is compounded, that is backward-shifted to allow for the rate to be known prior to the payment date), each CCP's** conversion aims to maintain the same interest accrual period as the original LIBOR contract (and therefore lags the payment date)

Date	USD 3m LIBOR****	ISDA Definitions Fallback*	CCP** Conversions: USD SOFR*
Original USD LIBOR Fixing Date (and hence Original IBOR Rate Record Day)	Tues 10 Jan 2023	Tues 10 Jan 2023	N/A
Calculation Period Start Date	Thurs 12 Jan 2023	Thurs 12 Jan 2023	Thurs 12 Jan 2023
Calculation Period End Date	Wed 12 Apr 2023	Wed 12 Apr 2023	Wed 12 Apr 2023
Payment Date	Wed 12 Apr 2023	Wed 12 Apr 2023	Fri 14 Apr 2023
Fallback Observation Date	N/A	Thurs 6 Apr 2023[1]	N/A
[Fallback] Accrual Start Date*****	N/A	Tues 10 Jan 2023	N/A
[Fallback] Accrual End Date*****	N/A	Mon 10 Apr 2023	N/A
Spread in ISDA Definitions Fallback	N/A	0.26161%	0.26161%
Coupon Rate (inc spread)***	**4.80586%**	**4.80667%**[1]	**4.84038%**

[1] The original USD 3m LIBOR contract is assumed to specify London and New York Business Days. As a result, the Fallback Observation Date is Thursday, April 6, 2023 and the most recently published fallback rate was for the Original IBOR Rate Record Day of Friday, 6 January, 2023. If only New York Business Days were applicable, the Fallback Observation Date would be Monday, 10 April, 2023 and the Coupon Rate (inc spread) would be 4.82912%

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*Note that the rates under "ISDA Definitions Fallback" and "CCP Conversions: USD SOFR" will <u>not</u> apply to any actual contracts because representative USD LIBOR was available for the relevant periods. These periods were used in order to provide coupon rates based on actual SOFR values (given that SOFR's value for periods in which USD LIBOR will not be published on a representative basis is not yet known).

**Verified with CME, Eurex and LCH.

***Coupon rate calculated from first principles. Please contact the relevant calculating firm for a full breakdown of underlying rates used.

**** The original USD 3m LIBOR contract is assumed to define Reset Dates as 'The first day of each Calculation Period'

***** As defined in the Bloomberg IBOR Fallback Rate Adjustments Rulebook