

NEWS RELEASE
For Immediate Release

ISDA Publishes Consultation on Final Parameters for Benchmark Fallback Adjustments

NEW YORK, September 18, 2019 – The International Swaps and Derivatives Association, Inc. (ISDA) has today launched a new consultation to finalize the methodologies for the adjustments that will be made to derivatives fallbacks in the event certain interbank offered rates (IBORs) are permanently discontinued.

The latest publication follows two earlier consultations, which set out options for the adjustments that will apply to the relevant risk-free rates (RFRs) if fallbacks are triggered for derivatives referencing nine IBORs. ISDA has today also published a report by The Brattle Group that summarizes the final results of the second of those consultations, which focused on US dollar LIBOR, Canada’s CDOR and Hong Kong’s HIBOR.

The adjustments reflect the fact that the IBORs are currently available in multiple tenors, but the RFRs identified as fallbacks are overnight rates. The IBORs also incorporate a bank credit risk premium and a variety of other factors, while RFRs do not.

The Brattle Group report confirms [preliminary findings](#) that the overwhelming majority of respondents preferred the ‘compounded setting in arrears rate’ to address the difference in tenors and the ‘historical mean/median approach’ to address the difference in risk premia.

The new consultation on the final parameters will close on October 23. Based on the results, ISDA will then make the relevant adjustments to the 2006 ISDA Definitions to incorporate fallbacks for new IBOR trades. A protocol will also be published to enable market participants to include fallbacks within legacy IBOR contracts if they choose to. Both the amended Definitions and the protocol are expected to be finalized by the end of this year, with implementation in 2020.

The consultation on final parameters is available [here](#).

The Brattle Group report summarizing the results of the supplemental consultation on US dollar LIBOR, CDOR and HIBOR is available [here](#).

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About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has more than 900 member institutions from 71 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 @ISDA.

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