

November 17, 2020

Tenor Cessation Guidance – 2006 ISDA Definitions

Refinitiv announcement of permanent cessation of 6-month and 12-month CDOR tenors

The International Swaps and Derivatives Association, Inc. (“**ISDA**”) provides the following guidance for parties to over-the-counter derivative transactions that are affected by the announcement made on November 12, 2020 by Refinitiv Benchmark Services (UK) Limited (“**RBSL**”) relating to the cessation of 6-month and 12-month CDOR tenors (the “**Cessation Announcement**”).

*On November 12, 2020, RBSL announced that, following public consultation, calculation and publication of the 6-month and 12-month Canadian Dollar Offered Rate (“**CDOR**”) tenors will cease from Monday May 17, 2021 onwards and that the last day of publication for the 6-month and 12-month CDOR tenors will be Friday May 14, 2021. The announcement can be found [here](#). The announcement states that publication of the 1-month, 2-month and 3-month tenors will continue.*

ISDA is issuing this guidance in the interest of mitigating market risk and the promotion of orderly and consistent application of triggers and fallbacks by market participants. This guidance is not legal advice and market participants should consult their legal advisors as appropriate. Market participants should not rely on this guidance for any purpose but should review the contractual terms of each affected transaction in order to understand the effects of the events described above. ISDA does not assume any responsibility for this guidance and it is not intended to set a precedent. Parties are not obliged to follow this guidance. For cleared transactions and transactions executed on electronic confirmation platforms, market participants should refer to the contractual terms of the applicable clearing house or confirmation platform, as applicable.

Guidance

The purpose of this Guidance is:

- (1) **ISDA IBOR Fallbacks.** To describe how the terms of the ISDA 2020 IBOR Fallbacks Protocol published on October 23, 2020 (the “**IBOR Fallbacks Protocol**”) and Supplement number 70 to the 2006 ISDA Definitions, finalized on October 23, 2020 and to be published by ISDA and effective on January 25, 2021 (the “**IBOR Fallbacks Supplement**”) apply to the Cessation Announcement; and
- (2) **2018 ISDA Benchmarks Supplement.** To describe how the terms of the 2006 ISDA Definitions Benchmarks Annex to the ISDA Benchmarks Supplement (the “**ISDA Benchmarks Supplement**”) apply to the Cessation Announcement.

Terms used but not defined in this Guidance have the meanings given to them in the IBOR Fallbacks Protocol, the 2006 ISDA Definitions, including in the IBOR Fallbacks Supplement, or the ISDA Benchmarks Supplement, as applicable.

The Cessation Announcement

On September 4, 2020 RBSL issued a consultation in respect of, amongst other things, possible cessation of the 6-month and 12-month CDOR tenors subject to an evaluation of their viability in accordance with the RBSL Cessation Policy.

Having considered both the feedback received and the comments and recommendations from the independent CDOR Oversight Committee, in the Cessation Announcement RBSL announced:

“Calculation and publication of the 6-month and 12-month CDOR tenors will cease from Monday 17th May 2021 onwards. The last day of publication for the 6-month and 12-month CDOR tenors will be Friday 14th May 2021. The 1-month, 2-month and 3-month tenors will not be affected by this action.”

Relevant Provisions under the IBOR Fallbacks Protocol and IBOR Fallbacks Supplement

The Attachment to the IBOR Fallbacks Protocol contains the amendments to be made between Adhering Parties. Paragraphs 1 to 5 of the Attachment contemplate amendments being made to the relevant Protocol Covered Documents in accordance with the terms of the IBOR Fallbacks Supplement. Paragraph 6 of the Attachment contemplates amendments being made to the relevant Protocol Covered Documents using language substantially based on language contained in the IBOR Fallbacks Supplement.

An Index Cessation Event under both the IBOR Fallbacks Supplement and the IBOR Fallbacks Protocol can occur in respect of a relevant rate upon:

“a public statement or publication of information by or on behalf of the administrator of the [rate] announcing that it has ceased or will cease to provide the [rate] permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the [rate].”

Under both the IBOR Fallbacks Supplement and the IBOR Fallbacks Protocol, an Index Cessation Effective Date will occur upon the [rate] no longer being provided.

Section 7.3(s) of the 2006 ISDA Definitions to be introduced by the IBOR Fallbacks Supplement applies the concept of Index Cessation Event to individual tenors. Similarly, Paragraph 6(e)(iii) of

the Attachment to the IBOR Fallbacks Protocol contemplates permanent discontinuation of a Relevant IBOR applying to individual tenors.

The IBOR Fallbacks Supplement introduces a new Section 8.5 (*Discontinued Rates Maturities*). Pursuant to this Section, if a tenor for certain Rate Options, including CDOR, is discontinued, linear interpolation applies unless there is no shorter (Nearest Short Rate) or no longer tenor (Nearest Long Rate) available, in which case an Index Cessation Event shall be deemed to have occurred.

Application of the IBOR Fallbacks Protocol and IBOR Fallbacks Supplement to the Cessation Announcement

ISDA understands that there is no successor administrator for the 6-month and 12-month CDOR tenors. For the purposes of both the IBOR Fallbacks Protocol and IBOR Fallbacks Supplement, an Index Cessation Event with respect to both the CAD-BA-CDOR Rate Option and the CAD-BA-CDOR-Bloomberg Rate Option, each in relation to a Designated Maturity of 6-months or 12-months, will be deemed to have occurred on November 12, 2020 by virtue of the announcement by CDOR's administrator, RBSL, that the 6-month and 12-month CDOR tenors will permanently cease.

The related Index Cessation Effective Date, will occur on May 17, 2021, being the first date on which no longer tenor will be published and on which Fallback Rate (CORRA) will apply.

Events which may arise in the future may affect the timing and application of Fallback Rate (CORRA). These include if a subsequent Index Cessation Event occurs with respect to 6-month or 12-month CDOR, for example if RBSL were to make a later announcement that 6-month or 12-month CDOR will cease to be provided from a different date, the Index Cessation Effective Date would change accordingly.

The Protocol Effective Date and publication date of the IBOR Fallbacks Supplement will be January 25, 2021, which means that the provisions described above will only apply from that date (assuming, in the case of the IBOR Fallbacks Protocol, that both parties are Adhering Parties at such time). Even though, in the present case, the Index Cessation Event has occurred prior to this date, transactions entered into on or after January 25, 2021 which incorporate the 2006 ISDA Definitions as updated by Supplement number 70 or which are covered by the IBOR Fallbacks Protocol will apply Fallback Rate (CORRA) with effect from May 17, 2021.

Application of the Bloomberg Spread Adjustment to the Cessation Announcement

Bloomberg Index Services Limited ("**BISL**") publishes 'indicative' spreads for each "IBOR" (as defined in the Bloomberg IBOR Fallback Rate Adjustments Rule Book) tenor in advance of a fallback actually applying by reference to published IBOR values and for informational purposes.

The spread for a specific IBOR tenor will be fixed or 'set' by BISL on the "Spread Adjustment Fixing Date" (as defined in the Bloomberg IBOR Fallback Rate Adjustments Rule Book), which is the earlier to occur of (i) an Index Cessation Event and (ii) a public statement or publication of information constituting, in effect, an Index Cessation Event with respect to a specific tenor of a relevant IBOR (in circumstances where linear interpolation using shorter and longer tenors is not possible).

Application of the Bloomberg IBOR Fallback Rate Adjustments Rule Book to the Cessation Announcement

BISL has **confirmed** that under the Bloomberg IBOR Fallback Rate Adjustments Rule Book, the Cessation Announcement will constitute a "Tenor Cessation Trigger Date". Accordingly, the "Spread Adjustment Fixing Date" for the 6-month and 12-month CDOR tenors is November 12, 2020. BISL

has indicated that the “Spread Adjustments” for the 6-month and 12-month CDOR tenors will be calculated as normal on and prior to November 12, 2020. BISL has also stated that the “Spread Adjustment” for the 12-month CDOR tenor has been consistent since November 12, 2020 and does not require restatement but the 6-month CDOR tenor will be recalculated and restated from November 13, 2020 onward with the applicable “Spread Adjustment” as calculated for November 12, 2020.

Application of the ISDA Benchmarks Supplement to the Cessation Announcement

The Cessation Announcement will also constitute an Index Cessation Event under the 2006 ISDA Definitions Benchmarks Annex to the ISDA Benchmarks Supplement.

At the time of the Index Cessation Event, the Relevant Benchmark does not include a reference to a concept defined or otherwise described as an “index cessation event”. This will only be the case from January 25, 2021. This means that the provisions of Section 1.2 (*Consequences of a Benchmark Trigger Event*) of the 2006 ISDA Definitions Benchmarks Annex to the ISDA Benchmarks Supplement will apply. Accordingly, each party must seek to apply one or more “Alternative Continuation Fallbacks” prior to the “Cut-off Date” of May 17, 2021.