

**INFORMATION IN THIS STATEMENT REMAINS SUBJECT TO FINAL DECISION  
OF ISDA BOARD BENCHMARK COMMITTEE**

**Preliminary Results of ISDA**

***Consultation on Certain Aspects of Fallbacks for Derivatives Referencing GBP LIBOR, CHF LIBOR, JPY LIBOR, TIBOR, Euroyen TIBOR and BBSW***

ISDA received 152<sup>1</sup> responses from 164<sup>2</sup> entities to [the Consultation on Certain Aspects of Fallbacks for Derivatives Referencing GBP LIBOR, CHF LIBOR, JPY LIBOR, TIBOR, Euroyen TIBOR and BBSW](#). A variety of market participants, including banks, asset managers, pension funds, corporate entities, exchanges and clearing houses, global financial services firms, industry and trade associations and government entities from a variety of jurisdictions submitted responses.

The overwhelming majority of respondents preferred the ‘**compounded setting in arrears rate**’ for the adjusted risk-free rate (RFR)<sup>3</sup>, and a significant majority across different types of market participants preferred the ‘**historical mean/median approach**’ for the spread adjustment. The majority of respondents preferred to use the same adjusted RFR and spread adjustment across all benchmarks covered by the consultation (and, as mentioned below, potentially other benchmarks).

Of the respondents who instead preferred the ‘forward approach’ for the spread adjustment, more than half indicated that the historical mean/median approach was their second choice and that they supported it as well. Only a very small percentage of respondents indicated that they would be opposed to using the historical mean/median approach for the spread adjustment, whereas more respondents indicated that the forward approach would be problematic. Finally, from a qualitative perspective, respondents cited a number of disadvantages of the forward approach and fewer disadvantages of the historical mean/median approach.

Based on the foregoing and **subject to the ongoing work and ultimate decision of the ISDA Board Benchmark Committee**<sup>4</sup>, ISDA expects to proceed with developing fallbacks for inclusion in its standard definitions based on the **compounded setting in arrears rate and the historical mean/median approach to the spread adjustment for all of the benchmarks**

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<sup>1</sup> ISDA received 151 submissions but two of the submissions contained two separate responses and, separately, two of the submissions were duplicates. As a result, ISDA received 152 responses

<sup>2</sup> Two responses came from multiple named entities. In accordance with the terms of the consultation, ISDA attributed these responses to each named entity individually, resulting in responses from 164 entities total

<sup>3</sup> The fallback rates will be based on a version of the RFRs identified as alternatives for the relevant IBORs as part of global benchmark reform efforts

<sup>4</sup> The ISDA Board Benchmark Committee comprises 16 ISDA board members from a diverse group of institutions, including dealers, buy-side institutions and central counterparties

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**covered by the consultation.** ISDA continues to analyze responses to the specific questions about the historical mean/median approach (*eg.*, the appropriate length of the look-back period, whether the calculation should be based on a mean or median and implications for various types of transactions) and suggestions from respondents about potential variations of that approach to assess what additional feedback may be necessary.

By the end of December 2018, ISDA hopes to publish anonymized and aggregated results of this analysis, and a summary of the feedback described above, together with the ISDA Board Benchmark Committee's final decision on the approach to the adjusted RFR and spread adjustment to use for developing fallbacks. As part of that decision, the ISDA Board Benchmark Committee will set out the details related to the adjusted RFR and spread adjustment that remain outstanding and describe the steps that will be taken to finalize those details.

As noted in the consultation, before implementing fallbacks in the 2006 ISDA Definitions, ISDA will publish the developed approach to the adjusted risk-free rate and the spread adjustment for review and comment. ISDA expects this review period to occur sometime during the first half of 2019. ISDA may also solicit feedback from market participants on any outstanding details during this period.

Preliminary feedback from respondents to the consultation indicates that the compounded setting in arrears rate and the historical mean/median approach to the spread adjustment may also be appropriate for USD LIBOR, and potentially other benchmarks (including EUR LIBOR and EURIBOR). However, as previously stated, ISDA will launch supplemental consultations in early 2019 to gather feedback from all market participants before moving forward with fallbacks for benchmarks not specifically covered by the recently completed consultation.

ISDA will continue to seek advice from its independent advisors and feedback from government and regulatory agencies, and any decision or action by ISDA remains subject to the advice and feedback it receives from its advisors and government and regulatory agencies.

**Please note that everything in this statement remains subject to the decision of the ISDA Board Benchmark Committee and nothing is final until publication of that decision.**