

ISDA Publishes Report Summarizing Results of Benchmark Fallbacks Consultation on Pre-cessation Issues

NEW YORK, October 21, 2019 – The International Swaps and Derivatives Association, Inc. (ISDA) has today published a [report](#) that summarizes responses to a consultation on pre-cessation issues for LIBOR and certain other interbank offered rates (IBORs).

The [consultation](#) took place between May and July, and sought comment on how derivatives contracts should address a regulatory announcement that LIBOR or certain other IBORs categorized as critical benchmarks under the EU Benchmarks Regulation¹ are no longer representative of an underlying market.

The consultation followed a [request by the Financial Stability Board’s Official Sector Steering Group \(FSB OSSG\)](#) for ISDA to obtain market feedback on the events that should trigger a move to a spread-adjusted fallback rate for LIBOR.

The responses to the consultation indicate that a majority of market participants would generally not want to continue referencing a covered IBOR in existing or new derivatives contracts following a statement from a supervisor that it is no longer representative of the underlying market. However, the consultation did not reveal a consensus on how to respond to such a statement in the context of fallbacks for derivatives contracts.

Respondents were split between those who supported the inclusion of a pre-cessation trigger based on representativeness within fallbacks for derivatives contracts but with the flexibility to include or exclude certain trades and/or counterparties (22.5%), those who supported a trigger but without flexibility or optionality (27.0%), those who supported a trigger but didn’t express a preference on flexibility (14.6%), and those who opposed any implementation of a pre-cessation trigger (28.1%).

“ISDA will continue to work towards finding a solution for how to address a non-representative covered IBOR in derivatives documentation and how to implement a pre-cessation trigger for fallbacks in this scenario. Based on the feedback to the consultation, it would be helpful to have more clarity from regulators on the specific circumstances under which they may determine a covered IBOR to be non-representative, and the length of time during which a non-representative IBOR may be published,” said Scott O’Malia, ISDA’s Chief Executive.

¹ The consultation on pre-cessation issues does not cover yen TIBOR, euroyen TIBOR, BBSW, HIBOR or CDOR. The consultation covers SOR only insofar as to consider if the SOR fallback for a US dollar LIBOR index cessation event – which is separately being consulted upon currently – should also apply in the event of a US dollar LIBOR pre-cessation trigger

View the [report summarizing the results of the consultation here](#).

View an August 2019 [statement summarizing the preliminary results of the consultation here](#).

View the May 2019 [consultation on pre-cessation issues here](#).

For Press Queries, Please Contact:

Nick Sawyer, ISDA London, +44 203 808 9740, nsawyer@isda.org

Lauren Dobbs, ISDA New York, +1 212 901 6019, ldobbs@isda.org

Christopher Faimali, ISDA London, +44 20 3808 9736, cfaimali@isda.org

Nikki Lu, ISDA Hong Kong, +852 2200 5901, nlu@isda.org

About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 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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