Questions

The deadline for responses is January 21, 2020. This deadline will not be extended. Please email your response to FallbackConsult@isda.org and clearly indicate that you are submitting a response in the subject line of your email. For your convenience, you can use this form for your responses (but you are not required to do so).

You can submit questions to fallbackconsult@isda.org at any time during the consultation period.

Note to Recipients: By participating in this consultation, you agree not to use this process for any anticompetitive purpose, and further agree and warrant that you will not engage in any conduct that would cause any other party participating in this consultation to be in violation of any competition or antitrust law or regulation. ISDA has taken and will continue to take safeguards and protections to ensure that the use of the results of this consultation comply with applicable laws and regulations.

Relying on the responses to this consultation, ISDA will identify the approaches for calculating the adjusted RFR and spread adjustments for each of EUR LIBOR and EURIBOR pursuant to the process described on page 19 of the July 2018 Consultation. ***In responding to questions 1-4 below, please indicate whether your answers apply to both EUR LIBOR and EURIBOR or otherwise indicate the relevant IBORs to which your answers apply. You are welcome to provide different answers for different IBORs.***

1. Based on the results of the July 2018 Consultation, the May 2019 Consultation and the Final Parameters Consultation, (a) the compounded setting in arrears rate approach with a backward-shift adjustment and (b) a spread adjustment based on a historical median over a five-year lookback period will be used to calculate the fallbacks for GBP LIBOR, CHF LIBOR, JPY LIBOR, TIBOR, Euroyen TIBOR, BBSW, USD LIBOR, CDOR and HIBOR. Are these adjustments also appropriate for EUR LIBOR and EURIBOR fallbacks? Please explain why or why not.

2. The ECB started officially publishing €STR on October 2, 2019. It has also made available preliminary figures, referred to as pre-€STR, dating back to March 15, 2017. Would it be acceptable to use this preliminary data when calculating the spread adjustment in respect of adjusted €STR (i.e., as part of a lookback period)? Please explain why or why not. As discussed above, EONIA is currently calculated as of €STR plus a fixed spread of 8.5 basis points. If data for €STR prior to March 15, 2017 is required to calculate the spread adjustment, would it be appropriate to use daily values of EONIA minus a fixed spread of 8.5 basis points as a proxy for €STR?

3. Please indicate whether you would <u>not</u> be able to transact using definitions for EURIBOR and EUR LIBOR that incorporate fallbacks based on the adjustments described in question 1. If you would not be able to transact, please give specific examples of the types of derivatives for which the fallbacks would be problematic and explain why.

4. If the adjustments described in question 1 are not suitable for fallbacks for EUR LIBOR and EURIBOR, is another combination of approaches more appropriate?

   As explained on page 16 of the July 2018 Consultation, the following pairs of adjusted RFR and spread adjustment approaches are possible:

   1. Compounded Setting in Arrears Rate with Forward Approach
   2. Compounded Setting in Advance Rate with Forward Approach
   3. Spot Overnight Rate with Historical Mean/Median Approach
   4. Convexity-adjusted Overnight Rate with Historical Mean/Median Approach
   5. Compounded Setting in Arrears Rate with Historical Mean/Median Approach
   6. Compounded Setting in Advance Rate with Historical Mean/Median Approach
   7. Spot Overnight Rate with Spot-Spread Approach
   8. Convexity-adjusted Overnight Rate with Spot-Spread Approach
   9. Compounded Setting in Advance Rate with Spot-Spread Approach

5. ISDA may be asked to implement fallbacks for other less widely used IBORs in the future. Are (a) the compounded setting in arrears rate approach with a backward-shift adjustment and (b) a spread adjustment based on a historical median over a five-year lookback period also appropriate for fallbacks for those other less widely used IBORs? Please explain why or why not.