

## ISDA Guidance

### Bloomberg published Fallback Rates:

#### Interaction between RFR publications, IBOR Fallback publications and the ISDA Definitions

Unless otherwise indicated, capitalised terms used herein have the meaning given to them in the [2021 ISDA Interest Rate Derivatives Definitions](#) or the 2006 ISDA Definitions<sup>1</sup> (together, the **ISDA Definitions**) or the [Bloomberg IBOR Fallback Rate Adjustment Rulebook](#) (the **Rulebook**).

This guidance is provided on the assumption that the relevant interest rate derivatives to which this guidance is applicable are linear interest rate derivatives with regular periods.

#### Key Points

- **Bloomberg Index Services Limited (“BISL”)** calculates and publishes fallback rates for IBORs around the end of the relevant IBOR period, once all risk-free rate (RFR) inputs needed to determine the ‘adjusted RFR’ are known.
- BISL applies a two-day backward shift to the adjusted RFR calculation to increase the likelihood of the adjusted RFR and therefore the fallback rate for a particular IBOR fixing date being known two payment business days prior to the relevant payment date.
- Based on the publication of the underlying RFR, some fallback rates, such as the fallback rate for U.S. Dollar LIBOR, are published on a T+1 basis, whereas others, such as the fallback rate for Swiss Franc LIBOR, are published on a T+0 basis – this can affect the fallback rate that applies under the ISDA Definitions as fallback rates that are published on a T+0 basis will generally be published earlier relative to fallback rates that are published on a T+1 basis.
- Under the ISDA Definitions, the fallback rate corresponds to the IBOR fixing date and is observed at a cut-off time on the day that is two payment business days prior to the relevant payment date. If the fallback rate corresponding to the IBOR fixing date has not been published by such time, then the fallback rate that has been published for the most recent fixing date will apply.
- Using the fallback rate available at the cut-off time is equivalent to dynamically increasing the backward shift so that the adjusted RFR and therefore the fallback rate can be calculated by the cut-off.
- Parties may choose to replicate BISL methodology and calculate the fallback rates themselves, however, under the ISDA Definitions the fallback rates that are published by BISL are binding.

***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***

<sup>1</sup> This guidance is provided on the assumption that the relevant transactions have incorporated the fallbacks as set out in Supplement number 70 to the 2006 ISDA Definitions, finalized on October 23, 2020 and published by ISDA and effective on January 25, 2021 (whether directly or pursuant to the terms of the ISDA 2020 IBOR Fallbacks Protocol published on October 23, 2020).

*should not rely on this guidance for any purpose but should review the contractual terms of each affected transaction, the ISDA Definitions and the Rulebook in order to understand the effects of the fallbacks described below. ISDA does not assume any responsibility for this guidance, which may be updated from time-to-time, 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.*

## **IBOR Fallback Rates**

BISL calculates and publishes fallbacks that ISDA implements for certain IBORs in the ISDA Definitions.

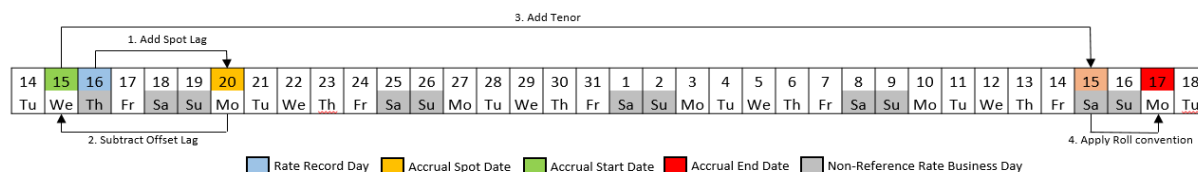
The fallback rates published by BISL are an “all-in” fallback rate, which comprises an overnight RFR compounded over the relevant IBOR tenor with a two-day backward shift (**adjusted RFR**), and a fixed spread adjustment representing the median over five-years of the difference between the relevant IBOR tenor and the RFR compounded over the same tenor<sup>2</sup>. Alongside the “all-in” fallback rate, BISL also separately publishes the adjusted RFR and spread adjustment components.

## **Adjusted RFR in arrears calculation**

Unlike the forward-looking IBORs, for which the rate is known at the start of the tenor period, the BISL-published fallback rates cannot be calculated and published until around the end of the relevant IBOR tenor period. This is because the last RFR input needed for the adjusted RFR calculation is not known until around the end of the period over which the RFR is compounded.

The Accrual Start Date (i.e., the start date of the compounding period used to calculate the adjusted RFR) is determined by adding the relevant Spot Lag (which is based on settlement conventions for swaps) to the Original IBOR Rate Record Day which corresponds to the date on which the relevant IBOR was to have been referenced or fixed in accordance with the ISDA Definitions, and then subtracting the Offset Lag (which is always 2 Reference Rate Business Days). The Accrual End Date (i.e., the end date of the compounding period) is determined by adding the relevant IBOR tenor to the Accrual Start Date, subject to the relevant business day convention.

The compounding period used to calculate the adjusted RFR is up to and excluding the Accrual End Date. Therefore, the last RFR input required for the adjusted RFR calculation is the RFR for the Reference Rate Business Day **preceding** the Accrual End Date.



<sup>2</sup> Publication of the spread adjustment is on an indicative basis until the occurrence of an Index Cessation Event or Administrator/ Benchmark Event in respect of the relevant IBOR at which point the spread adjustment is fixed.

## **BISL publication of Fallback Rates**

As described above, the fallback rates can only be calculated and published once all the RFR data required for the adjusted RFR calculation is known – this will normally correspond to either the Accrual End Date (for RFRs that are published on a T+1 basis – where the rate for a given day is published on the next following Business Day), or the Reference Rate Business Day **prior** to the Accrual End Date (for RFRs that are published on a T+0 basis – where the rate for a given day is published on that day).

SOFR, for example, is published at 08:00 EST on a T+1 basis (the SOFR rate for a given day is published at 08:00 EST on the next following U.S. Government Securities Business Day), whereas SARON is published at 18:00 CET/CEST on a T+0 basis (the SARON rate for a given day is published at 18:00 CET/CEST on that day).

Under normal circumstances, subject to necessary checks and calculations, BISL will publish the fallback rate within 45 minutes of the publication of the last relevant RFR for the particular fallback rate – therefore, in normal circumstances, BISL will publish the USD-LIBOR fallback rate on the relevant Accrual End Date and publish the CHF-LIBOR fallback rate on the Zurich Business Day preceding the relevant Accrual End Date.

**In summary, for corresponding fixing dates (i.e., Original IBOR Rate Record Days), the fallback rates for IBOR Floating Rate Options such as CHF-LIBOR, HKD-HIBOR, ILS-TELBOR, NZD-BKBM Bid and NZD-BKBM FRA (that are based on RFRs that publish on a T+0 basis) are typically calculated and published the business day prior to the fallback rates for the other IBORs (that are based on RFRs that publish on a T+1 basis).**

Please see Table 1 in the Annex for other RFR publication times.

## **Interaction between the BISL publication of the fallback rate and the ISDA Definitions**

The IBOR fallbacks are implemented in the ISDA Definitions as ‘screen rates’ rather than a form of ‘calculated rate’. A screen rate requires no input from the Calculation Agent to determine the rate – the rate is observed from a specified source at a specific time/day. In contrast, a calculated rate requires the Calculation Agent to make a calculation to determine the rate using a specified formula or methodology.

Under the ISDA Definitions, if the IBOR fallbacks apply and are triggered, the rate for a Reset Date will be determined based on the fallback rate that has been published by BISL as of the **cut-off time on the Fallback Observation Day (i.e., the date that is two payment Business Days prior to the Payment Date<sup>3</sup>)**:

- (1) if the fallback rate for the relevant Original IBOR Rate Record Day which corresponds to the IBOR fixing date is published by BISL as of the cut-off time on the Fallback Observation Day, then that fallback rate will apply; and
- (2) if the fallback rate for the relevant Original IBOR Rate Record Day which corresponds to the IBOR fixing date has not been published by BISL as of the cut-off time on the Fallback Observation Day, then the fallback rate for the most recent Original IBOR Rate Record Day that has been published by BISL as of

---

<sup>3</sup> This ensures that parties know the rate that applies and therefore the amount to be paid at least two payment Business Days before payment needs to be made.

the cut-off time on the Fallback Observation Day will apply notwithstanding that this Original IBOR Rate Record Day does not correspond to the IBOR fixing date.

Please see Table 1 in the Annex for the relevant cut-off times as per the ISDA Definitions.

Due to, for example, the occurrence of holidays in the publication calendar for the RFR and the application of the relevant business day convention to the Accrual End Date, the two Business Day Offset Lag may not be sufficient to ensure that the last RFR input required for the adjusted RFR calculation in the fallback rate for the Original IBOR Rate Record Day which corresponds to the IBOR fixing date is known on or prior to the relevant cut-off time on the Fallback Observation Day. In this situation, applying the fallback rate that is published/available at such time for the most recent Original IBOR Rate Record Day (notwithstanding that this Original IBOR Rate Record Day may not correspond to the IBOR fixing date) is equivalent to dynamically increasing the Offset Lag to ensure that the adjusted RFR, and therefore the fallback rate for a particular Original IBOR Rate Record Day, will always be known on the Fallback Observation Day.

For RFRs (such as SARON) that publish on a T+0 basis, it is more likely that the last required RFR input for a fallback rate associated with an Original IBOR Rate Record Day will be known by the Fallback Observation Day and therefore more likely that BISL will publish the fallback rate associated with an Original IBOR Rate Record Day for the relevant IBOR on or before the cut-off time on the Fallback Observation Day (assuming that the Calculation Period is equivalent to the applicable IBOR tenor period – please see [RFR Conventions and IBOR Fallback Product Table](#) for guidance on how IBOR fallbacks are applied to irregular periods and non-linear transaction types).

In addition to the fallback rate for the Original IBOR Rate Record Day corresponding to the date on which the relevant IBOR was to have been referenced or fixed in accordance with the ISDA Definitions, another fallback rate may be published/available as at the relevant cut-off time on the Fallback Observation Day for a later/subsequent Original IBOR Rate Record Day which does not correspond to the relevant IBOR fixing date. If that is the case, then that subsequent rate is ignored and the fallback rate published for the Original IBOR Rate Record Day which corresponds to the IBOR fixing date will apply.

**Note – Market participants may choose to calculate the fallback rates themselves for informational purposes. However, market participants are reminded that references to the fallback rates in the ISDA Definitions are to the fallback rates provided by BISL or provided to, and published by, authorized distributors, and therefore they should refer to these rates taking into consideration any relevant Technical Notices.**

**ANNEX**

**Table 1**

<b>2021 Definitions Floating Rate Option</b>	<b>Fallback</b>	<b>ISDA Definitions Cut-Off</b>	<b>RFR Publication Time</b>
AUD-BBSW	Fallback Rate (AONIA)	11:30, Sydney time on the related Fallback Observation Day	09:20 AEST/AEDT (T+1)
CAD-CDOR	Fallback Rate (CORRA)	11:30, Toronto time on the related Fallback Observation Day	09:00 EST/EDT (T+1)
CHF-LIBOR	Fallback Rate (SARON)	20:30, Zurich time on the related Fallback Observation Day	<b>18:00 CET/CEST (T+0)</b>
DKK-CIBOR	Fallback Rate (DESTR)	12:30, Copenhagen time on the related Fallback Observation Day	10:00 CET/CEST (T+1)
DKK-CIBOR2	Fallback Rate (DESTR)	12:30, Copenhagen time on the related Fallback Observation Day	10:00 CET/CEST (T+1)
EUR-EURIBOR	Fallback Rate (EuroSTR)	11:30, Frankfurt time on the related Fallback Observation Day	09:00 CET/CEST (T+1)
EUR-LIBOR	Fallback Rate (EuroSTR)	11:30, Frankfurt time on the related Fallback Observation Day	09:00 CET/CEST (T+1)
GBP-LIBOR	Fallback Rate (SONIA)	11:30, London time on the related Fallback Observation Day	09:00 GMT/BST (T+1)
HKD-HIBOR	Fallback Rate (HONIA)	19:30, Hong Kong time on the related Fallback Observation Day	<b>17:00 HKT (T+0)</b>
ILS-TELBOR	Fallback Rate (SHIR)	13:30, Tel Aviv time on the related Fallback Observation Day	<b>11:00 IST/IDT (T+0)</b>
JPY-Euroyen TIBOR	Fallback Rate (TONA)	12:30, Tokyo time on the related Fallback Observation Day	10:00 JST (T+1)
JPY-LIBOR	Fallback Rate (TONA)	12:30, Tokyo time on the related Fallback Observation Day	10:00 JST (T+1)
JPY-TIBOR	Fallback Rate (TONA)	12:30, Tokyo time on the related Fallback Observation Day	10:00 JST (T+1)
MYR-KLIBOR	Fallback Rate (MYOR)	12:30, Kuala Lumpur time on the related Fallback Observation Day	10:00 MYT (T+1)
NOK-NIBOR	Fallback Rate (NOWA)	11:30, Oslo time on the related Fallback Observation Day	09:00 CET/CEST (T+1)
NZD-BKBM Bid	Fallback Rate (NZIONA)	11:30, Wellington time on the related Fallback Observation Day	<b>09:00 NZST/NZDT (T+0)</b>
NZD-BKBM FRA	Fallback Rate (NZIONA)	11:30, Wellington time on the related Fallback Observation Day	<b>09:00 NZST/NZDT (T+0)</b>
PLN-WIBOR	Fallback Rate (WIRON)	12:00, Warsaw time on the related Fallback Observation Day*	09:30 CET/CEST (T+1)*
SEK-STIBOR	Fallback Rate (SWESTR)	13:30, Stockholm time on the related Fallback Observation Day	11:00 CET/CEST (T+1)
USD-LIBOR	Fallback Rate (SOFR)	10:30, New York time on the related Fallback Observation Day	08:00 EST/EDT (T+1)

\* In the 2021 Definitions Version 8.0 Main Book, the ISDA Definitions Cut-Off for Fallback Rate (WIRON) is as set out above. From April 3, 2023, however, WIRON publication will move to 08:55 CET/CEST (T+1) and, accordingly, the ISDA Definitions Cut-Off for Fallback Rate (WIRON) will change in Version 9.0 Main Book (expected in Q2 2023) to 11.25, Warsaw time on the related Fallback Observation Day (being 2.5 hours after publication).