FAQs: ISDA 2020 IBOR Fallbacks Protocol

1. IBOR Protocol Overview

1a. Has ISDA now published an IBOR Fallbacks supplement?

Yes. The Supplement will apply to any new transaction which incorporates the 2006 ISDA Definitions entered into on or after 25 January 2021.

Transactions entered into before the publication effective date of the Supplement will continue to be based on the unamended version of the 2006 ISDA Definitions and will not include the fallbacks unless changes are specifically incorporated.

1b. What is the ISDA 2020 IBOR Fallbacks Protocol (the "IBOR Protocol")?

The IBOR Protocol enables market participants to incorporate the contractual fallback amendments set out in the Supplement into legacy non-cleared derivatives and certain non-derivatives transactions. Market participants who adhere to the IBOR Protocol agree, as between adhering parties, their legacy contracts will be amended to include the relevant fallbacks.

1c. What resources has ISDA provided regarding the Protocol?

ISDA has created a dedicated **webpage**[1] providing additional information on the IBOR protocol as well as IBOR transition more broadly.

1d. What does the IBOR Protocol cover?

Please note that not all IBORs are covered by the IBOR Protocol, (e.g. EONIA and CMS are not included)

Indices	
IBOR	Fallback Rate
BBSW	AONIA
CDOR	CORRA
CHF LIBOR	SARON
EUR LIBOR/EURIBOR	€STR
GBP LIBOR	SONIA
HIBOR	HONIA
JPY LIBOR/TIBOR/Euroyen TIBOR	TONA
USD LIBOR	SOFR

Certain IBORs on this list are not being discontinued (e.g., EURIBOR, BBSW, CDOR, TIBOR) and certain jurisdictions are adapting a 'dual rate' approach.

Inclusion of "Singapore Dollar Swap Offer Rate" and Thai Baht Interest Rate Fixing:
US Dollar LIBOR is an input used to calculate the Singapore Dollar Swap Offer Rate and the Thai Baht Interest Rate Fixing. Therefore, in respect of Rate Options for the Singapore Dollar Swap Offer Rate and the Thai Baht Interest Rate Fixing, the Supplement includes new fallbacks in the event of a permanent cessation or pre-cessation of US Dollar LIBOR. These new fallbacks are to rates which are calculated by reference to the fallback for US Dollar LIBOR (i.e. term-adjusted SOFR plus a spread) in place of US Dollar LIBOR.

Products	
In-scope	Bilateral Derivatives
	Securities Lending
	Repurchase Agreements

Contracts	
Covered (including but not limited to)	Key document types:
	• ISDA Master Agreements, CSAs and Confirmations
	• Certain Foreign Law Masters (FBF, CMOF, Swiss Masters)
	• Certain Repo and Stock Loan Agreements (GMRA, GMSLA, MRA, MSLA)
	Please see the Additional Documents **Annex**[2] of the Protocol (page 23) for a full list of documents covered by the Protocol.

Please note not all documents are covered by the IBOR Protocol, e.g. Rahmenvertrags (DRV).

1e. What are regulators view on the Protocol?

The **RFRWG**[3] (UK Working Group on Sterling Risk-Free Reference Rates), the **ARRC**[4] (Alternative Reference Rates Committee) and the **FSB**[5] (Financial Stability Board) have encouraged adherence to the IBOR Protocol as one of their key milestones in LIBOR transition. Edwin Schooling Latter, Director of Markets and Wholesale Policy at UK FCA has also made public statements in support of the Protocol produced by **ISDA**[6].

(1) https://www.isda.org/protocol/isda-2020-ibor-fallbacks-protocol/
(2) http://assets.isda.org/media/3062e7b4/08268161-pdf/
(3) https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/rfr/rfr-working-group-roadmap.pdf?la=en&hash=92D95DFA056D7475CE395B64AA1F6A099DA6AC5D
(4) https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2020/ARRC_Letter_on_ISDA_Protocol.pdf
(5) https://mondovisione.com/media-and-resources/news/fsb-encourages-broad-and-timely-adherence-to-the-isda-ibor-fallbacks-protocol/
(6) https://www.isda.org/2020/07/29/isda-board-statement-on-adherence-to-the-ibor-fallback-protocol/

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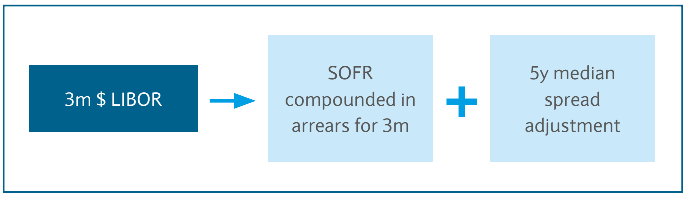
2. Fallbacks

2a. What are the relevant fallbacks?

Relevant fallback rates take a compounded in arrears approach for an RFR along with a spread adjustment based on a 5-year lookback of historical median differences between the original IBOR and a replacement RFR.

Fallback rate = term adjusted RFR (compounded in arrears) + historical median spread with 5-year lookback (to be fixed on the first announcement of cessation (whether pre-cessation or permanent cessation).



2b. What are the triggers for the fallbacks?

The fallbacks would be triggered upon the permanent cessation of the covered IBORs and, with respect to LIBORs only, upon the earlier of the permanent cessation and the pre-cessation (i.e., 'non-representativeness' as determination by the FCA).

2c. What does pre-cessation mean?

Pre-cessation is only relevant to LIBORS (*Sterling LIBOR, Swiss Franc LIBOR, US Dollar LIBOR, Japanese Yen LIBOR and Euro LIBOR*).

Pre-cessation is a public statement or publication of information by the FCA announcing that it has determined that LIBOR in the relevant currency is no longer, or as of a specified future date will no longer be, representative. The fallbacks will not actually take effect until the first date on which the relevant LIBOR is non-representative. If pre-cessation occurs, then the spread which applies as part of the fallback will be the spread fixed by Bloomberg on the date of the public statement or publication of information by the FCA which constitutes a pre-cessation, provided that there was no earlier announcement of permanent cessation.

2d. What is Bloomberg's role in publishing fallback rates?

Bloomberg has been selected by ISDA as the Adjustment Services Vendor to calculate and publish term-adjusted RFRs, spread adjustments, and all-in fallback rates. More details on the methodology and implementation of these calculations can be found **here**[1].

2e. If we have cleared trades with a clearinghouse, will these trades automatically incorporate the new fallback language?

Cleared trades are not covered by the IBOR Protocol or the Supplement. Most major clearinghouses have indicated, however, that they will use the powers in their rule books to implement the fallbacks in all of their legacy cleared derivatives transactions as of the effective date of the IBOR Protocol/ Supplement. **You should contact the relevant clearinghouse for further information.**

2f. Can I incorporate the fallbacks without adhering to the IBOR Protocol?

Yes. ISDA has produced template bilateral amendment agreements (short form and long form versions) that allow parties to apply the terms of the IBOR Protocol to documents without the need to adhere to the IBOR Protocol. However, this is not a scalable solution and is likely to increase the time and cost of remediation for all parties. Barclays' preference is to use the IBOR Protocol.

2g. What is expected of us in relation to our bilateral trades now that the IBOR Protocol has been launched? Do all bilateral legacy trades incorporate the new fallbacks?

The IBOR Protocol will amend a legacy contract within its scope only if both parties to the legacy contract adhere. Barclays entities listed in Q4a have adhered to the IBOR Protocol. If you also adhere to the IBOR Protocol, all legacy contracts within the scope of the IBOR Protocol that you have entered into with any of the Barclays entities listed in Q4a will be amended pursuant to the IBOR Protocol. See the answer to question Q1d for more information on what is in scope of the IBOR Protocol.

2h. What happens if my legacy contracts does not include a fallback rate?

You should review your legacy contracts and assess the impact of not including fallback rates on your own or with advice from professional advisors (legal, financial, accounting, tax or otherwise), as appropriate.

(1) http://assets.isda.org/media/d3cb1711/42ca5ad8-pdf/

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3. Adherence

3a. Do I need to adhere to the IBOR Protocol?

Adherence to the IBOR Protocol is strictly voluntary. You should review the IBOR Protocol independently on your own or with your legal, financial, tax, accounting, and other counsel, as appropriate. If you decide to adhere to the IBOR Protocol, you can do so by submitting the Adherence Letter to ISDA.

3b. Is there a time limit on adherence to the IBOR Protocol?

The IBOR Protocol was launched by ISDA on 23rd October 2020 and will become effective on 25th January 2021, but currently there is no hard cut-off date for adherence. Note that ISDA can close the adherence window by providing at least a 30-day notice on its website.

3c. Where can I see which entities have adhered to the IBOR Protocol?

You can find a list of Adhering Parties **here**[1]

3d. Can agents adhere to the IBOR Protocol?

Yes. An agent can adhere on behalf of:

1. All of its clients;
2. Only those clients that it specifically names or identifies through **ISDA Amend**[2] (which is an IHS Markit platform); or
3. All its clients for any clients it names or identifies to be excluded through ISDA Amend.

3e. If an agent onboards a new fund as its client, will the new client be covered by the IBOR Protocol?

If an agent onboards a new fund as its client (a "New Client") after the agent had already adhered to the IBOR Protocol, the New Client can be covered by the IBOR Protocol depending on how the agent adhered to the IBOR Protocol in the first place:

- If the agent adhered on behalf of all its clients (i.e., blanket adherence) or on behalf of all its clients except for those clients that the agent specifically excludes through ISDA Amend, the IBOR Protocol will apply to the New Client from the date of onboarding and
- If the agent adhered on behalf of only those clients that the agent specifically adds through ISDA Amend, the IBOR Protocol will apply to the New Client from the date on which the agent specifically identifies and adds the New Client through ISDA Amend.

4. Barclays' position

4a. Has Barclays adhered to the IBOR Protocol?

The below Barclays entities have adhered to the IBOR Protocol:

Barclays Entity	Legal Entity Identifier
Barclays Bank PLC	G5GSEF7VJP5I7OUK5573
Barclays Aldersgate Investments Limited	549300JUS3OXY7EN1P29
Barclays Bank Ireland PLC	2G5BKIC2CB69PRJH1W3
Barclays Bank Mexico SA	549300TMH5W90U8OTT58
Barclays Bank UK PLC	213800UUGANOMFJ9X769
Barclays Capital Luxembourg Sarl	9N1M24D17I38WEVNYL38
Barclays Merchant Bank (Singapore) Limited	549300D0MXZI5EKQWT88

The list of Adhering Parties to the IBOR Protocol is available on the ISDA **website**[3].

4b. What do you plan to do with products not covered by the IBOR Protocol (e.g., legacy notes issued under an agreement not covered by the IBOR Protocol in which no fallback language is provided)?

Barclays is currently reviewing its transition strategy, and intends to follow milestones set out by the various RFRWGs and the ARRC with respect to legacy LIBOR-linked products maturing after the end of 2021. Barclays is currently exploring ways to reduce our footprint in relation to LIBOR-linked products.

4c. In respect of our Credit Support Annex with you, does Barclays foresee a need to move to different applicable Interest Rates on cash collateral for certain currencies (i.e. EUR/USD)?

Barclays is currently reviewing our approach to interest rate changes on CSAs, noting that EONIA and Fed Funds are not within the scope of the IBOR Protocol.

4d. What does Barclays plan to do with legacy contracts that cannot be amended or renegotiated (i.e., "tough legacy")?

Barclays is aware of the challenges faced by market participants looking to amend LIBOR-referencing contracts with no or inadequate fallbacks, to either reference a more suitable alternative rate or to insert a more robust fallback. This type of active transition may not be practical under certain circumstances. When this is the case, these contracts are often referred to as 'tough legacy' contracts.

(1)(3) https://www.isda.org/protocols/
(2) http://assets.isda.org/media/3062e7b4/562d1a52-pdf/

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The Sterling RFRWG published a paper discussing tough legacy contracts and has proposed certain actions that could be taken to try to manage associated transition risks, including publishing a so-called "synthetic LIBOR" such contracts could reference after the end of 2021.

Earlier this year the ARRC proposed a legislative solution intended to minimize legal uncertainty and adverse economic impact associated with LIBOR transition for certain contracts referencing USD LIBOR governed by New York law. More recently, Her Majesty's Treasury has brought forward a legislative proposal to give the UK's Financial Conduct Authority enhanced powers to help manage an orderly wind-down of LIBOR more broadly.

The European Commission (EC) has published proposed legislative changes to the EU Benchmarks Regulation to ensure that when a widely used benchmark, such as LIBOR, is phased out it does not cause disruptions to the economy and harm financial stability in the EU.

Barclays is closely following these developments and is looking at all options available to address our tough legacy population.

- **Tough legacy paper**[1]
- **ARRC proposal**[2]
- **HMT proposal**[3]
- **FCA FAQ link re HMT proposal**[4]
- **EC proposal**[5]

4f. After we have adhered to the IBOR Protocol, can we still make changes to legacy contracts that we have with Barclays that are covered by the IBOR Protocol?

Yes. Adherence to the IBOR Protocol does not prevent you from making further changes to legacy contracts covered by the IBOR Protocol, provided that both parties to the legacy contracts mutually agree on such changes.

4g. What is the impact of the IBOR Protocol on non-linear trades?

ISDA has **published**[6] an RFR Conventions and IBOR Fallbacks Product Table which details the implications on various linear and non-linear products of the IBOR fallbacks. We would encourage you to consider the information provided by ISDA, including any impact on the value of your agreements and transactions. You should evaluate the impact of IBOR fallbacks on any agreements/trades you may have on your own or with the help from professional advisors (legal, financial, tax, account or other), as appropriate.

(1) https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/paper-on-the-identification-of-tough-legacy-issues.pdf
(2) hhttps://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2020/ARRC-Proposed-Legislative-Solution.pdf
(3) https://publications.parliament.uk/pa/bills/cbill/58-01/0200/200200.pdf
(4) https://www.fca.org.uk/markets/transition-libor/benchmarks-regulation-proposed-new-powers]
(5) https://ec.europa.eu/info/publications/200722-proposal-benchmarks_en
(6) http://assets.isda.org/media/4ff1a000/b6e5395e-pdf/

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Disclaimer

Barclays has adhered to the IBOR Protocol for the entities listed in 4a. If you also decide to adhere to the IBOR Protocol, legacy transactions you have with us that are within the scope of the IBOR Protocol will be amended in accordance with the IBOR Protocol. As the IBOR Protocol does not include all benchmarks in its scope, the consequences of discontinuation of any benchmark outside the IBOR Protocol (e.g., CMS, ICE Swap Rate, EONIA) are unpredictable, and your transactions may be adversely impacted.

You need to make your own decision as to whether or not to adhere to the IBOR Protocol based on your individual circumstances, including your IBOR-linked exposures, and assess the potential risks of adhering versus not adhering, in each case either on your own or through independent professional advisors (legal, accounting, financial, tax, or other), as appropriate. This should include evaluation of the changes introduced by the IBOR Protocol including the consequences of a change in interest rate calculation methodology and the impact of the non-representativeness or discontinuation of any IBOR referenced in your transactions. You must satisfy yourself as to the appropriateness or suitability of adhering to the IBOR Protocol and any possible adverse outcome therefrom (including the impact on certain non-linear products after fallback rates become effective and any potential transfer of economic value). Barclays accepts no responsibility or liability for, and makes no representation or warranty, express or implied, as to, any such risks or consequences. Barclays is not acting as your fiduciary or advisor and is not responsible for assessing the appropriateness or suitability for you of adhering to the IBOR Protocol.

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Glossary

Acronym	Description
ARRC	Alternative Reference Rate Committee
AONIA	Australia Overnight Index Average
BBSW	Bank Bill Swap Rate
CCP	Central Clearing Counterparty
CDOR	Canadian Dollar Offered Rate
CME	Chicago Mercantile Exchange
CORRA	Canadian Overnight Repo Rate Average
CSA	Credit Support Annex
EONIA	Euro Overnight Index Average)
€STR	Euro Short Term Rate
EU BMR	European Union Benchmarks Regulation
EUR	Euro
EURIBOR	Euro Interbank Offered Rate
HIBOR	Hong Kong Interbank Offered Rate
HONIA	Hong Kong Overnight Index Average
IBOR	Interbank Offered Rate
ISDA	International Swaps and Derivatives Association, Inc.
LCH	London Clearing House
LEI	Legal Entity Identifier
LIBOR	London Interbank Offered Rate
RFR	Risk-Free (or near risk-free) Rates
RFRWG	The Working Group on Sterling Risk-Free Reference Rates
SARON	Swiss Average Rate Overnight
SFT	Securities Financing Transactions
SOR	Singapore Dollar Swap Offer Rate
SONIA	Sterling Overnight Index Average
TIBOR	Tokyo Interback Offered Rate
TONA	Tokyo Overnight Average Rate