

**LIBOR TRANSITION AND
ADOPTION OF ALTERNATE REFERENCE RATES**

LIBOR Background

- ❑ Used as a global benchmark interest rate for derivatives, bonds and loans. More than \$350 trillion worth of financial contracts are linked to LIBOR globally.
- ❑ Based on submissions provided by a panel of select banks and reflect the interest rate at which prime banks could borrow money on unsecured terms in wholesale markets for select maturities
- ❑ Published by Intercontinental Exchange (ICE) once a day. The process is overseen by ICE Benchmark Administration (IBA) and regulated by Financial Conduct Authority (FCA) UK
- ❑ Published for 5 Currencies : US Dollar, Euro, Pound Sterling, Swiss Franc & Japanese YEN
- ❑ Available for 7 Tenors : Overnight, One Week, 1,2,3,6 & 12 Months

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- ❑ After allegations regarding LIBOR manipulation, The Financial Conduct Authority (UK) announced the phase out of London Interbank Offered Rate (LIBOR)
- ❑ FCA (UK) made formal announcement of LIBOR cessation on March 5, 2021
- ❑ Reserve Bank of India, in the press release dated July 8, 2021, advised Banks to cease entering into new financial contracts that reference LIBOR as a benchmark and instead use any widely accepted Alternative Reference Rate (ARR), as soon as practicable and in any case by 31st December 2021
- ❑ RBI has advised to cease using the Mumbai Interbank Forward Outright Rate (MIFOR), a benchmark which references the LIBOR, as soon as practicable and in any event by December 31, 2021. In this context, Financial Benchmarks India Pvt Ltd (FBIL) has started publishing daily adjusted MIFOR rates from June 15, 2021 and modified MIFOR rates from June 30, 2021 which can be used for legacy contracts and fresh contracts respectively.

LIBOR Cessation Dates

Benchmark	Tenor	Cessation Date	Result	Post-cessation publication
USD LIBOR	1W, 2M	31-Dec-2021	Permanent Cessation	ISDA Fallbacks have a provision for linear interpolation till 30-Jun-2023
	O/N, 12M	30-Jun-2023	Permanent Cessation	Not applicable
	1M, 3M, 6M	30-Jun-2023	Loss of Representativeness; Publication will continue on synthetic basis	Publication of potential Synthetic USD LIBOR possible after End Date 30-Jun-2023 Guidelines yet to be published on Synthetic USD LIBOR
GBP LIBOR	O/N, 1W, 2M, 12M	31-Dec-2021	Permanent Cessation	Not applicable
	1M, 3M, 6M	31-Dec-2021	Loss of Representativeness; Publication will continue on synthetic basis	Publication of Synthetic GBP LIBOR announced from 01-Jan-2022 by ICE with below methodology: 1-month Synthetic GBP LIBOR = 1-month Term SONIA + ISDA 1- month GBP LIBOR spread 3-month Synthetic GBP LIBOR = 3-month Term SONIA + ISDA 3-month GBP LIBOR spread 6-month Synthetic GBP LIBOR = 6-month Term SONIA + ISDA 6-month GBP LIBOR spread
JPY LIBOR	S/N, 1W, 2M, 12M	31-Dec-2021	Permanent Cessation	Not applicable
	1M, 3M, 6M	31-Dec-2021	Loss of Representativeness; Publication will continue on synthetic basis	Publication of Synthetic JPY LIBOR announced from 01-Jan-2022 by ICE with below methodology: 1-month Synthetic JPY LIBOR = 1-month Term TONA + ISDA 1-month JPY LIBOR spread 3-month Synthetic JPY LIBOR = 3-month Term TONA + ISDA 3-month JPY LIBOR spread 6-month Synthetic JPY LIBOR = 6-month Term TONA + ISDA 6-month JPY LIBOR spread
EUR LIBOR	ALL (O/N, 1W, 1M, 2M, 3M, 6M, 12M)	31-Dec-2021	Permanent Cessation	Not applicable
CHF LIBOR	ALL (O/N, 1W, 1M, 2M, 3M, 6M, 12M)	31-Dec-2021	Permanent Cessation	Not applicable

Details of Replacement Rates

LIBOR			Risk Free Rates		
LIBOR is a term rate, available for overnight, 1W, 1M, 2M, 3M, 6M, 12M tenors Data Source: Panel banks' cost of borrowing from other banks, as reported LIBOR is quoted for various tenors (i.e., term structure; future rates are 'known'), and 'forward looking' and set at the start of the period.			RFRs (e.g., SOFR, SONIA, TONA) are overnight rates; Term rates are calculated and published separately for selected currencies USD, GBP & JPY under specific tenors Data Source: Overnight transactions (e.g., US Treasury repo for USD SOFR) The RFRs are typically overnight, and are 'backward looking', whereby the rate is set at the end of the period.		
Legacy IBOR	USD LIBOR	GBP LIBOR	EUR LIBOR – (Dec 2021) EONIA – (Jan 2022) EURIBOR – (Co-exist)	CHF LIBOR	JPY LIBOR TIBOR – (Co-exist)
Alternative Rate (RFRs)	*SOFR (Secured Overnight Financing Rate) **Term SOFR	*SONIA (Sterling Overnight Interbank Average Rate) **Term SONIA	CSTR (Euro short-term rate)	SARON (Swiss Average Rate Overnight)	*TONA (Tokyo Overnight Average Rate) **TORF (Tokyo Term Risk Free Rate)
RFR Launch Date	*April 3, 2018 **January 3, 2019 for 1/3/6-month and September 21, 2021 for 12-month	*April 23, 2018 **January 11, 2021	October 2, 2019	Published since 2009	*Published since 1992 **April 26, 2021
Nature	Overnight, Secured (repo)	Overnight, Unsecured	Overnight, Unsecured money market	Overnight, Secured (repo)	Overnight, Unsecured
Publication of Index and (historical) Period Average (simple / compound)	Both Index and Averages (30-,90-,180-day compound) published beginning Mar 2, 2020	SONIA Index/SONIA Compounded Index published beginning Aug 3, 2020 Average: Chose not to publish Period Averages for now (Jul 2020)	Both Index and Averages (1-week, 1-, 3-, 6- and 12-mos compounded) published beginning Apr 15, 2021	Index: Published (beginning Aug 25, 2009) Averages: 1-,3-, 6-,9-,12-mos compound published beginning Mar 25, 2020	'TONA Averages' and the 'TONA Index' published by compounding TONA since March 2021. TORF calculated based on the Japanese overnight index swap (OIS) rate
Data Source	Triparty repo from FICC, GCF from FICC bilateral	Form SMMD collected by BoE	Money Market Statistical Reporting (MMSR)	CHF interbank repo	Overnight call rate brokered by money brokers
Working Group	Alternative Reference Rates Committee	Working Group on Sterling Risk-Free Rates	Working Group on Euro RFR	National Working Group on Swiss Franc reference rates	Cross-Industry Committee on JPY Interest Rate Benchmarks
Administrator (O/N RFR)	Federal Reserve Bank of NY	Bank of England	European Central Bank	SIX Swiss Exchange	Bank of Japan
Administrator (Term RFR)	CME (Term Reference Rates for 1/3/6-month tenors from January 3, 2019 and 12-month tenor from September 21, 2021)	ICE Benchmark Administrative Refinitiv (Term rates for 1/3/6/12- months first published on Jan 11, 2021)	Recommends Compounded ESTR	Recommends Compounded SARON	"QUICK Benchmarks Inc." (QBS) published TORF since April 2021
Methodology	Fully transaction-based	Fully transaction-based	Fully transaction-based	Transaction and binding quotes-based	Fully transaction-based

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- ❑ Deposit Products viz., FCNR(B)/ RFC deposits, Credit Facilities like Foreign Currency (FC) Loans, PCFC/ EBD, Easy Import etc. are likely to be impacted by the transition.
- ❑ The transition from LIBOR to RFRs shall have cascading effect on Accounting, P&L, Tax, Infrastructure, etc., which may likely affect the LIBOR based products
- ❑ CSB Bank has put in place required steps to address and mitigate the risks associated with the transition for our Customers. Customers can contact their Relationship Manager/Branch Manager OR Treasury Department treasury@csb.co.in for further details and guidance on the matter

This advisory is published for information purpose with an objective to reach out to our valuable customers who have foreign currency exposure linked with LIBOR as the benchmark reference rate

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