

Benchmark Reform Notification

Please note, if you wish to avail of a derivative product using LIBOR, EURIBOR or EONIA or wish to begin transacting on such a product with a maturity beyond December 2021 you will be impacted by the so called “Benchmark Reform”.

Financial regulators and market participants worldwide have been progressively moving towards establishing new interest rate benchmarks to replace LIBOR rates. It is currently anticipated that LIBOR rates will no longer be published or supported past the end of 2021 once banks are no longer compelled to provide quotes.

EONIA will be discontinued by the end of December 2021. €STR plus 8.5 bps Spread has been nominated as the applicable replacement rate for EONIA.

EURIBOR has completed its transition to a new hybrid methodology (“hybrid” EURIBOR) and is now considered to be BMR-compliant. However, even though EU supervised entities are able to continue to use EURIBOR, market participants should be aware that EURIBOR could still be discontinued at some point in the future. Working groups are currently working on the necessary fallbacks for EURIBOR, consistent with the BMR requirements.

It is expected that industry associations such as ISDA will assist with the transition to replacement rates, however, some operational/implementation uncertainty (e.g. amendments to current definitions) still remains. The occurrence of any of the aforementioned events (or any subsequent benchmark change not mentioned) may have adverse consequences which may materially impact the economics and documentation of the relevant market transactions. Parties entering into a derivative product that uses any of those indices and interest rates as benchmarks are exposed to the risk that such benchmarks may be subject to methodological or other changes which could affect their value.

You should conduct your own independent investigation and analysis of the potential consequences of any relevant risks such as those mentioned above, particularly in light of the ongoing industry initiatives related to the development of alternative reference rates and the update of the relevant market standard documentation.

Further Benchmark Reform information can be found on our website www.boi.com/benchmarkreformhub

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