

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.

On Friday 23 October 2020 ISDA launched the ISDA IBOR Fallbacks supplement and protocol.

The supplement will amend ISDA’s standard definitions for interest rate derivatives to incorporate robust fallbacks for derivatives linked to certain IBORs, with the changes coming into effect on January 25, 2021. From that date onwards, all new cleared and non-cleared derivatives that reference the definitions will include the new fallbacks (adjusted versions of the risk-free rates identified in each currency).

The protocol will enable market participants (ISDA members and non-ISDA members) to incorporate the revisions into their legacy non-cleared derivatives trades with other counterparties that choose to adhere to the protocol. The protocol is open for adherence since 23 October 2020, and will become effective on the same date as the supplement: January 25, 2021. As a financial institution, Bank of Ireland has adhered to the ISDA IBOR Fallbacks protocol. However, prior to signing up to the protocol you should consult internally on the effects of adhering to the protocol and you should seek independent advice to ensure that you understand all applicable implications in respect of adhering to the protocol.

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.

It is expected that industry associations will assist with the transition to replacement rates, however, some operational/implementation uncertainty 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 (e.g. potential adherence to the ISDA IBOR Fallbacks protocol), 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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