

# Benchmark Reform Notification

March 31<sup>st</sup> 2021



**Bank of  
Ireland**

## **An important message for Global Markets customers from Bank of Ireland regarding benchmark interest rate reform and the transition away from LIBOR (London Interbank Offer Rate):**

### **What is happening?**

Financial regulators and market participants worldwide have been progressively moving towards replacing or reforming benchmark rates by the end of 2021 in what is known as Benchmark Reform.

On 5 March 2021, the U.K. Financial Conduct Authority (the "FCA"), (who act as supervisor to ICE Benchmark Administration (the "IBA"), the administrator of LIBOR) announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US dollar settings.

Contractual arrangements referencing any of these LIBOR settings will need to transition to a new, near risk-free rates (RFR) prior to the relevant cessation deadlines.

EONIA (Euro Overnight Index Average) also will be discontinued by the end of December 2021. €STR (euro short-term rate) plus 0.085% Spread has been nominated as the applicable replacement rate for EONIA.

EURIBOR's (Euro Interbank Offered Rate) methodology has been reformed and is now considered to be compliant with requirements set out in the EU Benchmarks Regulation. EU supervised entities are able to continue to use EURIBOR, however, market participants should nevertheless ensure appropriate fallbacks dealing with a permanent discontinuation or material change are incorporated into their contracts.

### **What this means for you?**

#### **1. You have a LIBOR linked derivative with Bank of Ireland maturing before 2021**

LIBOR will still be applicable to your products until then. This will mean that the contract as currently agreed will not be impacted by the cessation of LIBOR and will not need to be amended in any way.

#### **2. You have a LIBOR linked derivative with Bank of Ireland maturing after 2021**

As LIBOR will cease to be available after 2021 your derivative will be required to transition to an alternative rate in advance of the end of 2021. We are committed to working with you to ensure your product continues to suit your commercial needs.

One way of replacing LIBOR references in legacy transaction is via the ISDA (International Swaps and Derivatives Association) IBOR Fallbacks supplement and protocol.

The supplement (effective since 25 January 2021) amends ISDA's standard definitions for interest rate derivatives to incorporate robust fallbacks for derivatives linked to certain IBORs.. From 25 January 2021 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 (also effective since 25 January 2021) enables 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 still open for adherence. As a financial institution, Bank of Ireland has adhered to the ISDA IBOR Fallbacks protocol. However, in order to determine whether or not the protocol is a suitable solution for your business you should discuss within your organization 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.

**Please note, the aforementioned FCA announcement represents an index cessation event under the IBOR Fallbacks supplement and protocol.**

### 3. GM product offering from 1 April 2021

To facilitate an orderly transition from LIBOR to alternative reference rates certain key milestones have been set by the UK LIBOR transition working groups and regulators. Issuance of new or re-financed LIBOR linked products that mature beyond 2021 should cease by the end of Q1 2021.

This means that from 1st April 2021, Bank of Ireland will no longer offer LIBOR linked products and loans linked to sterling, euro, Swiss franc and Japanese and the 1-week and 2-month US dollar LIBOR setting maturing beyond 2021. We will inform you of your options prior to entering into any derivative transaction with you.

### 4. GM US dollar product offering from 1 January 2022

From 1st January 2022, Bank of Ireland will no longer offer LIBOR linked products and loans linked to the remaining US dollar LIBOR settings (i.e. Overnight/Spot Next, 1-month, 3-month, 6-month and 12-month). We will inform you of your options prior to entering into any new derivative transaction with you on or after the 1 January 2022.

## Transition Preparation

Bank of Ireland has established a significant Group wide programme to ensure we have the systems and processes in place to support the new risk free rates and to meet our customers' new RFR lending and LIBOR transitioning requirements.

It is expected that industry associations will assist with the transition to replacement rates, however, some operational/ implementation uncertainty still remains.

## Next Steps

It is important that you familiarize yourself and your organization/colleagues with LIBOR transition and its potential impacts on your business, if you haven't already done so, and to keep up with recent developments. It is also imperative that you assess these impacts on your internal systems and processes, lending products and associated contracts, seeking independent professional advice as required.

Further Benchmark Reform information can be found on our website [www.boi.com/benchmarkreformhub](http://www.boi.com/benchmarkreformhub)

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