

## Information on discontinuation of LIBOR

This is to keep our clients informed about the discontinuation of LIBOR publication after June 30, 2023 and the discontinued publication of one week and two month LIBOR since December 31, 2021.

It is hereby clarified that the Account Terms and Conditions will continue to be applicable to the Account and the Overdraft Protection. These terms will be in addition to and not in derogation to the Account Terms and Conditions.

### What is LIBOR?

The London Inter-Bank Offered Rate – or LIBOR – is the interest rate at which banks borrow from each other in the interbank market. LIBOR is a measure of the average rate at which banks are willing to borrow wholesale unsecured funds. It is/was published for five currencies - the U.S. Dollar, the Euro, the British Pound Sterling, the Japanese Yen, and the Swiss Franc, and across seven different maturities such as overnight/spot next, one week, and one, two, three, and six months, and one year.

LIBOR is based on submissions provided by a panel of banks. These submissions are intended to reflect the interest rate at which banks could borrow money on unsecured terms in wholesale markets. It is administered by Intercontinental Exchange Benchmark Administrator (ICE) and is used as a key interest rate benchmark across a number of derivatives, bonds, loans, securitizations, deposits and other products.

### What is happening now?

In July 2014, the Financial Stability Board (FSB) published its recommendation on reform to LIBOR and use near risk-free rates (RFRs) that are based on more active and liquid overnight lending markets. The Federal Reserve Board and the Federal Reserve Bank of New York (“New York Fed”) convened the Alternative Reference Rate Committee (“ARRC”), a group of private-market participants tasked with identifying robust alternatives to USD LIBOR and supporting a transition away from LIBOR.

In July 2017, the Financial Conduct Authority (“FCA”) announced that LIBOR would be phased out by the end of 2021. Further it was updated that only one week and two month USD LIBOR would be discontinued from December 31, 2021 and all other tenors of LIBOR will be discontinued from June 30, 2023.

In view of the above, certain LIBOR panel banks have discontinued contributing to the LIBOR. The ARRC, with the support of a significant majority of its Advisory Group, announced that it had selected Secured Overnight Financing Rate (“SOFR”) as its preferred alternative to USD LIBOR. SOFR is a broad measure of the cost of borrowing cash overnight in the repo market collateralized by U.S. Treasury securities. Published daily by the New York Fed, the SOFR is based on a deep, active market with a diverse set of borrowers and lenders and meets international best practices.

### What is SOFR?

SOFR is a fully transaction-based rate reflecting a market with a diverse set of borrowers and lenders. It is produced by the New York Fed with a methodology and governance structure consistent with international best practices. These factors make SOFR a reliable representation of conditions in the overnight Treasury repo market reflecting lending and borrowing activity by a wide array of market participants, including asset managers, banks, broker-dealers, insurance companies, money market funds, pension funds, and securities lenders.

The ARRC recommends writing new contracts based on SOFR whenever possible, and provides a range of tools to support market participants transitioning to SOFR. For contracts that still need to reference USD LIBOR, the ARRC recommends incorporating language so that those contracts fall back to SOFR when LIBOR inevitably becomes unavailable.

Further on June 22, 2021, Office of the Superintendent of Financial Institutions (OSFI), in its letter to all Federally regulated Financial Institutions, set an expectation for FRFIs to stop using LIBOR as a reference rate as soon as possible and that FRFIs will not enter into transactions using LIBOR as a reference rate after December 31st, 2021. You can read more about the same in the list of links given below.

Further information can be accessed on the following links:

- [https://www.osfi-bsif.gc.ca/Eng/fi-if/in-ai/Pages/libor.aspx?utm\\_campaign=libor&utm\\_medium=email&utm\\_source=osfi-bsif&utm\\_content=letter](https://www.osfi-bsif.gc.ca/Eng/fi-if/in-ai/Pages/libor.aspx?utm_campaign=libor&utm_medium=email&utm_source=osfi-bsif&utm_content=letter)
- <https://www.newyorkfed.org/arrc>
- <https://apps.newyorkfed.org/markets/autorates/SOFR>

In case you require further information or any clarification, please contact us at following email id: [liborcanada@icicibank.com](mailto:liborcanada@icicibank.com)

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