



# IBOR Transition



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### **What is the international reform of interest rate benchmarks?**

Major central banks and regulators have decided to transition from the existing Interbank Offered Rates (IBORs) to alternative Risk-Free Rates (RFRs), also referred to as Alternative Reference Rates (ARRs).

Interest rate benchmarks are referenced in a wide array of financial products, including loans, floating rate notes, derivatives, deposits, trade finance and securitizations. In order to strengthen market integrity and consumer protection, a number of alternative benchmark rates have been developed in the major financial markets to replace the LIBOR and other reference rates that are being discontinued.

This is the biggest change that financial markets will undergo in recent times. Banco ABC Brasil is closely following the direction of global regulators, industry working groups, and trade associations to facilitate a smooth transition from current interest rate benchmarks to alternative reference rates.



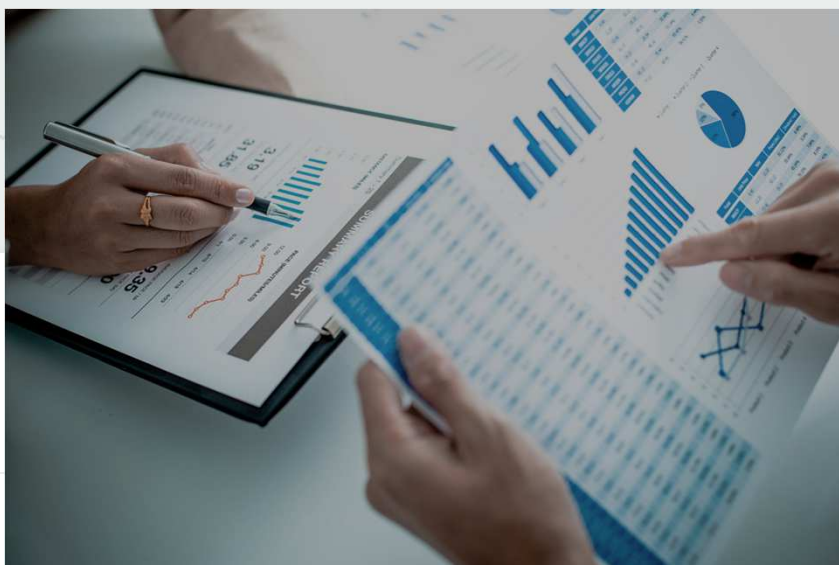
## The London Interbank Offered Rate (LIBOR)

The London Interbank Offered Rate (LIBOR) is the most commonly used set of IBORs that are based on the rates at which prime banks estimate they can borrow from each other. LIBOR is calculated and published daily for five currencies (GBP, USD, EUR, JPY and CHF) over a range of maturities (from overnight to one year) and is used worldwide in the calculation of interest and other payments for many loans, derivatives, bonds and other financial transactions.

Following the LIBOR fixing scandal that was exposed in 2011 and the general decline in the importance of interbank lending in the financial markets, global financial regulators decided that markets must move away from using LIBOR as a benchmark and have it replaced.

Certain interest rate benchmarks including LIBOR, EURIBOR and EONIA are being reformed or replaced.

Most notably, the USD LIBOR will be replaced by the Secured Overnight Financing Rate (SOFR).



### **How is Banco ABC Brasil responding to this?**

Banco ABC Brasil welcomes the move to more robust and reliable benchmark rates. We are closely following the work being done by regulators, industry bodies, and trade associations to facilitate a smooth transition of the international benchmarks and will continue to update you throughout the various transitions. Furthermore, Banco ABC Brasil has adhered to the ISDA 2020 IBOR Fallbacks Protocol to ensure frictionless derivative offerings with our clients.

Accordingly, we have established a Group-wide initiative to identify, assess, and monitor risks associated with the discontinuation or unavailability of benchmarks, including LIBOR, and the transition to Alternative Reference Rates



### What does this mean for our clients?

We will work closely with our clients on the transition, taking into consideration their concerns and will provide updates as necessary. For further guidance on how to prepare for the possibility that LIBOR or other benchmark rates will be discontinued or materially changed, please consult your Banco ABC Brasil relationship manager. We recommend that you also consult your own legal, tax, financial, and other professional advisors for more specific guidance.

Some benchmark rates are being reformed or will be discontinued and replaced with alternative benchmark rates that meet the new regulatory and market requirements. This may impact the products and services which are currently made available to you and those which we will provide in the future.

If your facility (or final rate fixing) is before the below dates for the cessation of LIBORs, it can mature naturally, with no required action.

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



### Further information

For more information on the reform of benchmark rates, please contact your Banco ABC Brasil relationship manager. We will continue to update you as interest rate benchmark reforms and transitions develop. The information presented here is not intended to be a complete or exhaustive overview.

External information can be found here:

- [Loan Markets Association](#)
- [ISDA](#)
- [ESTR](#)
- [New York Federal Bank Committee on LIBOR transition](#)

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