

IBOR Transition Communication March 2021

You may be aware, including from other information provided by us, that various regulatory authorities have announced that markets should transition away from "interbank offered rates" ("IBORs"). Regulators support the replacement prior to the end of 2021 of these IBORs with various risk-free, or near risk-free, rates ("RFRs"). Unlike the IBORs, the RFRs generally are overnight rates (not forward looking term rates) and do not reflect bank credit risk.

On 5 March 2021, the UK FCA announced (the FCA Announcement) that all 35 LIBOR settings would either cease to be provided by any administrator or no longer be representative immediately after 31 December 2021 (in respect of EUR, CHF, GBP, JPY LIBOR and 1 week and 2M USD LIBOR) or 30 June 2023 (in respect of the overnight, 1M, 3M, 6M and 12M USD LIBOR). The FCA will also consult on requiring the LIBOR administrator to publish certain GBP, JPY and USD LIBOR settings for a further period on a changed methodology (also known as 'synthetic') basis.

The terms for IBOR-referencing products or services might set out a process for determining a "fallback" rate upon the occurrence of certain "trigger events" which may have been activated by the FCA Announcement. Determining how trigger events and fallbacks apply may be unclear and the resulting fallback rates (whether or not they refer to the applicable RFRs) may not replicate the economic position that existed prior to the transition. Fallbacks may also differ between products and services, including with respect to the timing and character of the replacement rate (including any adjustment spreads that may be applicable), leading to possible mismatches across your portfolio, including between a hedge and a hedged exposure. Where no fallback is specified, it might be uncertain as to how to determine the replacement rate or whether, for example, an unrepresentative rate should be applied. As a result, you may find it difficult to predict what rate would be paid and whether there will be an adverse financial impact on you.

If you have products or services that refer to one of the impacted IBORs, it is important that you:

- keep up to date with industry developments in relation to benchmark transitioning, including market initiatives such as the ISDA IBOR Fallbacks Protocol;
- understand that the applicable IBOR may cease to be appropriate in a number of different ways or for a variety of reasons and may not meet your requirements;
- review the terms of all your IBOR-linked products/services, in particular any fallback provisions, to understand how they operate, whether you need them to be amended and the suitability and effectiveness of any proposed amendments;
- determine whether mismatches might arise across your portfolio of products/services, including between hedges and hedged exposures;
- form your own view with respect to the characteristics of and risks associated with the RFRs, and how they may differ from the respective IBORs, including historic behavior; and
- understand that, if you retain IBOR-linked products/services beyond the date when the market has transitioned to new rates, this may impact liquidity in the affected products or your ability to maintain effective hedges of such products.

Other than as expressly agreed in writing between you and Citi, Citi makes no representation, warranty or assurance, and does not owe you any duty, nor have any liability to you, in relation to any IBOR reform-related developments, nor is Citi able to advise you in relation to any IBOR reform-related developments or in relation to individual products/services that might be impacted. We encourage you to keep up to date with IBOR reform, and RFR, developments, and to consider their impact on you, using independent professional advisors (financial, tax, accounting, legal or other) as you consider necessary. This material is not intended to be, and should not be relied upon, as a representation, warranty or other assurance or as financial, tax, accounting, legal or other advice.

This material is also not intended to be comprehensive and material developments may have occurred since the date stated above. If you have any questions, these can be directed to iborq@citi.com. Further information is also available in [Citi's IBOR and Benchmark Reform Frequently Asked Questions](#).