

18 August 2020

Chief Executives, All ABS Member Banks / Institutions
Members of the Steering Committee for SOR Transition to SORA (SC-STS) and Subgroup
Chairs of SC-STS

Adherence to the ISDA IBOR Fallback Protocol

1. As part of the global interest rate benchmarks transition, the International Swaps and Derivatives Association (ISDA) shall soon be launching the ISDA IBOR Fallback Supplement and the IBOR Fallback Protocol to implement fallbacks for new and legacy derivative contracts, respectively¹.
2. Since its formation in August 2019, the Steering Committee for SOR Transition to SORA (SC-STS)², comprising senior representatives from key banks, relevant industry associations and MAS, has worked closely with ISDA to finalise the fallbacks to the SGD Swap Offer Rate (SOR) in the IBOR Fallback Supplement, so as to ensure that robust contractual fallbacks are in place upon the discontinuation of SOR. This would be an important safety net for contracts that are unable to transition from SOR to SORA by end-2021.
3. The IBOR Fallback Supplement will amend the 2006 ISDA Definitions to include fallbacks that would apply upon permanent discontinuation of LIBOR and other key interbank offered rates (IBORs) and upon a “non-representative” determination for LIBOR. Further, floating rate options that use USD LIBOR as an input (including the SOR³) shall also be amended to include relevant fallbacks if USD LIBOR is permanently discontinued or becomes subject to a “non-representative” determination. New derivative contracts incorporating the 2006 ISDA Definitions (as amended by the IBOR Fallback Supplement) will have these fallbacks in place, if these contracts are entered into after the Supplement comes into effect.
4. The IBOR Fallback Protocol is intended to facilitate multilateral amendments to incorporate the IBOR Fallback Supplement for legacy derivative contracts (i.e. entered into before the effective date of the IBOR Fallback Protocol). By adhering to the IBOR Fallback Protocol, adherents agree that their legacy derivative contracts with other adherents will be amended to include the relevant fallbacks as set out in the IBOR Fallback Supplement.
5. We strongly recommend your firm to start planning immediately for adherence to the IBOR Fallback Protocol. The IBOR Fallback Protocol is an important procedure that will enable global and local market participants to incorporate fallback arrangements for legacy

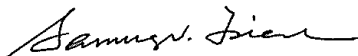
¹ <https://www.isda.org/a/pFmTE/ISDA-Board-Statement-on-Adherence-to-the-IBOR-Fallback-Protocol.pdf>

² <https://www.abs.org.sg/benchmark-rates/about-sc-sts>

³ USD LIBOR is an input used to calculate SOR. The fallback to SOR is a rate which will be calculated by referencing the fallback for USD LIBOR (i.e. term adjusted SOFR plus a spread) in place of USD LIBOR.

derivative contracts in an efficient, globally consistent, and industry aligned basis. Wide adoption of adherence to the IBOR Fallback Protocol is critical to ensure the smooth functioning and operation of the derivatives market and minimise both individual firm and systemic risks. Regulators and national risk-free-rates working groups globally have likewise expressed support for the IBOR Fallback Protocol.

6. ISDA had shared in their letter dated 22 July 2020⁴ that it will facilitate a process whereby regulated entities and key market participants can adhere to the IBOR Fallback Protocol “in escrow” prior to the launch date. As stated in the ISDA letter, this adherence “in escrow” will be binding and complete but the adhering entity’s name and information will not appear on the ISDA website until the official launch date (and the adherence letter will be ‘deemed’ delivered as of that launch date, not the earlier date on which it was submitted ‘in escrow’). Wide take up of the “adherence in escrow” process will result in a broad and comprehensive list of adherents by the launch date of the IBOR Fallback Protocol, and provide a strong indication to the market of extensive acceptance of the relevant fallbacks.
7. If your firm has exposures to LIBOR and other key IBORs and/or SOR in your derivatives portfolio, we strongly encourage your firm to consider adhering to the IBOR Fallback Protocol “in escrow” prior to the official launch. We trust your firm has commenced on-going dialogue with key stakeholders to communicate the urgency of the transition, and we urge you to take steps to adhere to the IBOR Fallback Protocol as soon as possible. Please feel free to share this letter within your firm and/or with other firms in your association.
8. Thank you for your attention and kind consideration.



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⁴ <http://assets.isda.org/media/4647387a/76e75f97-pdf/>