

MEMO# 32393

April 16, 2020

LIBOR Update: ISDA Announces Preliminary Results on Pre-Cessation Fallback Language

[32393]

April 16, 2020 TO: Accounting/Treasurers Committee

Derivatives Markets Advisory Committee

LIBOR Transition Working Group

SEC Rules Committee

Securities Operations Advisory Committee

Security Valuation Operations Committee RE: LIBOR Update: ISDA Announces Preliminary Results on Pre-Cessation Fallback Language

On April 15, 2020, ISDA announced preliminary results indicating support for “pre-cessation” fallback language for derivatives contracts that reference LIBOR.[\[1\]](#) “Pre-cessation” refers to a potential time period during which LIBOR may continue to be published, but because fewer panel banks are submitting rates, the UK Financial Conduct Authority would no longer consider LIBOR to be representative.[\[2\]](#)

While ISDA’s 2019 consultation did not reach consensus on pre-cessation fallback language,[\[3\]](#) the response from this year’s similar consultation indicated that a majority of respondents favored adopting such fallback language. The pre-cessation fallback language would be triggered by a determination that LIBOR has become non-representative. When finalized, ISDA will include the pre-cessation fallback language in the amended 2006 ISDA Definitions for LIBOR and in a single protocol for including the updated definitions in legacy contracts.

For derivatives contracts referencing other IBORs, however, the fallback language will not include a pre-cessation trigger and will only reference the permanent cessation of that IBOR.

ISDA expects to issue a final report analyzing the consultation results and provide information on next steps in the coming weeks.

Bridget Farrell
Assistant General Counsel

endnotes

[1] See ISDA Announces Preliminary Results of Consultation on Pre-Cessation Fallbacks for LIBOR (Apr. 15, 2020), *available at* <https://www.isda.org/a/7DqTE/ISDA-Announces-Preliminary-Results-of-Consultation-on-Pre-cessation-Fallbacks.pdf>.

[2] See ICI Memorandum No. 32177 regarding recent UK Financial Conduct Authority statements regarding pre-cessation LIBOR, *available at* https://www.ici.org/my_ici/memorandum/memo32177.

[3] See Anonymized Narrative Summary of Responses to the ISDA Pre-Cessation Consultation (Oct. 21, 2019), *available at* <http://assets.isda.org/media/e0b1bac2/04397355-pdf/>.

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