

The top-left corner of the slide features a blurred background of financial market data, including stock tickers and numerical values in various colors (red, green, yellow) on a dark background.

Nomura and the LIBOR transition

June 2023

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LIBOR is going away

On March 5, 2021, ICE Benchmark Administration Limited (the **IBA**) and the UK Financial Conduct Authority (the **FCA**) announced that **the publication of LIBOR is finally coming to an end.**

The announcement followed a consultation published by the IBA on December 4, 2020 and the effective dates of **cessation and loss of representativeness** of the LIBOR settings were subsequently confirmed as per the following:

LIBOR	Tenors	Effective Date	Outcome/Details
CHF	All	Dec 31, 2021	Permanent Cessation
EUR	All	Dec 31, 2021	Permanent Cessation
GBP	O/N, 1w, 2m, 12m	Dec 31, 2021	Permanent Cessation
	1m, 3m, 6m	Dec 31, 2021	Loss of representativeness
Synthetic GBP	1m, 6m	Mar 31, 2023	Permanent Cessation
Synthetic GBP	3m	Mar 31, 2024	Permanent Cessation
JPY	O/N, 1w, 2m, 12m	Dec 31, 2021	Permanent Cessation
	1m, 3m, 6m	Dec 31, 2021	Loss of representativeness
Synthetic JPY	All	Dec 31, 2022	Permanent Cessation
USD	1w, 2m	Dec 31, 2021	Permanent Cessation
	O/N, 12m	Jun 30, 2023	Permanent Cessation
	1m, 3m, 6m	Jun 30, 2023	Loss of representativeness
Synthetic USD	1m, 3m, 6m	Sep 30, 2024	Planned Cessation

The use of USD LIBOR has been severely restricted from January 1, 2022. While overnight, 1-, 3-, 6- and 12-month USD LIBOR settings have continued to be published and will continue to be published until June 30, 2023, the regulatory guidance has been not to use USD LIBOR in new contracts after December 31, 2021.

On March 5, 2021, ISDA issued a statement confirming that “the FCA’s announcement constitutes an **index cessation event** under the IBOR Fallbacks Supplement and the ISDA 2020 IBOR Fallbacks Protocol for all LIBOR settings”. As a result, the ISDA Fallback spread adjustments have been fixed for value immediately after the cessation dates (or dates of loss of representativeness of such rate where these differ).

Further to the FCA’s **announcement** on March 5, 2021, the IBA consulted and announced its intention to cease all USD LIBOR ICE Swap Rate benchmark “runs” for all tenors immediately after their final publication on June 30, 2023.

More information on ICE Swap Rate Cessation can be found on the IBA’s **ICE Swap Rate page**.

Synthetic LIBOR

Synthetic USD LIBOR:

- On April 3, 2023, the FCA announced that it intended to require the IBA to continue the publication of the 1-, 3- and 6-month US dollar LIBOR settings for a short period after June 30, 2023, using an unrepresentative 'synthetic' methodology ("Synthetic USD LIBOR").
- The intention of the FCA is that the publication of the 1-, 3- and 6-month Synthetic USD LIBOR settings will cease on September 30, 2024.
- The FCA have reiterated that any publication of Synthetic USD LIBOR is temporary and intended to provide a bridge for contracts to transition to the relevant RFRs.
- The use of Synthetic USD LIBOR in new contracts has been prohibited since January 1, 2022, with limited exemptions. From July 1, 2023, all new use of Synthetic USD LIBOR will be prohibited and consequently these prior exemptions will cease.

Synthetic GBP LIBOR:

- In June 2022, the FCA published a consultation in relation to retiring 1-month and 6-month Synthetic GBP LIBOR at the end of March 2023, and on its proposed timing for retiring 3-month Synthetic GBP LIBOR.
- In November 2022, the FCA announced the cessation of 3-month Synthetic GBP LIBOR at the end of March 2024.
- The use of Synthetic GBP LIBOR in new contracts has been prohibited since publication.

Synthetic JPY LIBOR:

- The publication of Synthetic JPY LIBOR ceased on December 31, 2022.

Adjustable Interest Rate (LIBOR) Act

On March 15, 2022, the US Congress enacted the Adjustable Interest Rate (LIBOR) Act (“**AIRLA**”) to provide a federal solution for replacing references to USD LIBOR in existing contracts that either lack, or contain insufficient, LIBOR fallback provisions. AIRLA applies to LIBOR contracts that are governed by US law and use overnight, 1-month, 3-month, 6-month or 12-month USD LIBOR tenors. On December 16, 2022, the Board of Governors of the US Federal Reserve System (the “**Board**”) adopted the final regulation implementing AIRLA.

For LIBOR contracts that contain no fallback provisions or that identify neither a specific non-LIBOR replacement rate nor a person to determine the replacement rate, AIRLA automatically replaces USD LIBOR with the Board-selected replacement rate after June 30, 2023. The Board-selected replacement rate may vary depending on the type of LIBOR contract; however, each such replacement rate shall be based on the Secured Overnight Financing Rate (or **SOFR**) published by the Federal Reserve Bank of New York plus a credit spread adjustment.

For LIBOR contracts where a person is given discretion to choose a replacement for USD LIBOR, AIRLA provides a litigation safe harbour and other protections for parties that select the Board-selected replacement rate.

How have we been tackling the LIBOR transition?

LIBOR reform continues to be a critical transformation for the financial industry and for the clients that we serve. We established our global LIBOR programme in 2020 and continue to commit the necessary resources to enable us to accompany you on your LIBOR transition journey and to ensure that our solutions continue to operate as expected.

How can we help you?

The clarity brought by the ISDA 2020 IBOR Fallbacks, the definitive LIBOR cessation dates, the FCA’s announcements in relation to Synthetic LIBOR and the enactment of AIRLA have been very helpful in refining our respective LIBOR transition strategies. As always, we will continue to do all we can to assist and support you through the final stages of your transition journey.

For more information, please review the detailed information on the next pages, send any queries to clientoutreach@nomura.com or contact your Sales Relationship Manager.

Background information on interest rate benchmarks transition

What are the risk free rates?

“Risk-free rates” (“**RFRs**”) have been developed in the financial markets in place of key interbank offered rates (“**IBORs**”). Whilst IBORs are forward-looking term rates that embed bank credit risk, the RFRs identified to date are overnight rates and are intended to be nearly risk-free. To transition an existing financial product from an IBOR to an RFR will require adjustment spreads to be applied to the RFR.

Jurisdiction	Link to Working Group	RFR	RFR Administrator	RFR Type	Description
US	Alternative Reference Rates Committee	SOFR (Secured Overnight Financing Rate)	Federal Reserve Bank of New York	Secured	Secured rate that covers multiple overnight repo market segments
UK	Working Group on Sterling Risk-Free Reference Rates	SONIA (Sterling Overnight Index Average)	Bank of England	Unsecured	Unsecured rate that covers overnight wholesale deposit transactions
Switzerland	The National Working Group on CHF Reference Rates	SARON (Swiss Average Rate Overnight)	SIX Exchange	Secured	Secured rate that reflects interest paid on interbank overnight repo rate
Japan	Study Group on Risk-Free Reference Rates	TONA (Tokyo Overnight Average Rate)	Bank of Japan	Unsecured	Unsecured rate that captures overnight call rate market
Euro Area	Working Group on Risk-Free Reference Rates for the Euro Area	€STR (Euro short-term rate)	European Central Bank	Unsecured	Unsecured rate that captures overnight wholesale deposit transactions
Canada	Canadian Alternative Reference Rate Working Group	CORRA (Canadian Overnight Repo Rate Average)	Bank of Canada	Unsecured	Unsecured rate that captures overnight index swap transactions.
Australia	Australian Financial Markets Association – IBOR transformation Australian Working Group	AONIA (AUD Overnight Index Average)	Reserve Bank of Australia	Unsecured	Multiple rate approach
Singapore	The Association of Banks in Singapore and the Singapore Foreign Exchange Market Committee	SORA (Singapore Overnight Rate Average)	Monetary Authority of Singapore (MAS)	Unsecured	Unsecured rate that covers overnight wholesale deposit transactions
Hong Kong	Treasury Markets Association's Working Group on Alternative Reference Rates	HONIA (Hong Kong Dollar Overnight Index Average)	The Treasury Markets Associations (TMA)	Unsecured	Multiple rate approach

Useful links

Some useful links where you can find more information on the upcoming changes are set out below:

UK Financial Conduct Authority

<https://www.fca.org.uk/markets/libor>

<https://www.fca.org.uk/news/press-releases/finalising-libor-transition-achievements-sterling-markets>

International Swaps and Derivatives Association:

<https://www.isda.org/protocol/isda-2020-ibor-fallbacks-protocol/adhering-parties/data>

<https://www.isda.org/protocol/june-2022-benchmark-module-of-the-isda-2021-fallbacks-protocol/>

<https://www.isda.org/category/legal/benchmarks/>

<https://www.isda.org/2018/12/20/isda-publishes-final-results-of-benchmark-fallback-consultation/>

JBATA:

<http://www.jbatibor.or.jp/english/about/>

<https://www.jbatibor.or.jp/english/reform/>

https://www.jbatibor.or.jp/english/news/publication_of_the_key_results_of_the_survey_on_jba_tibor_exposures.html

Cross-Industry Committee on JPY Interest Rate Benchmarks:

https://www.boj.or.jp/en/paym/market/jpy_cmte/index.htm/

European Money Markets Institute:

<https://www.emmi-benchmarks.eu/euribor-org/euribor-reform.html>

European Central Bank:

https://www.ecb.europa.eu/paym/pdf/cons/euro_risk-free_rates/ecb_summaryofresponses01_201902.en.pdf

New York Fed:

<https://apps.newyorkfed.org/markets/autorates/sofr>

SIFMA:

<https://www.sifma.org/resources/general/rip-libor-how-to-prepare-for-sofr/>

LMA:

<https://www.lma.eu.com/libor>

LCH:

<https://www.lch.com/membership/ltd-membership/ltd-member-updates/lchs-position-respect-isdas-recommended-benchmark>

ARRC:

<https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/ARRC-faq.pdf>

https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2022/LIBOR_Legacy_Playbook.pdf

https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2022/ARRC_CME_12-Month_SOFR_Term_Rate.pdf

CME GROUP:

<https://www.cmegroup.com/trading/interest-rates/secured-overnight-financing-rate-futures.html>

SFIG:

<https://structuredfinance.org/wp-content/uploads/2019/09/SFA-LIBOR-Symposium-Key-Takeaways-1.pdf>

Singapore

<https://www.abs.org.sg/benchmark-rates/announcements>

Hong Kong:

https://www.tma.org.hk/en_market_LIBOR.aspx

Refinitiv:

<https://www.abs.org.sg/benchmark-rates/announcements>

https://www.refinitiv.com/content/dam/marketing/en_us/documents/methodology/cdor-cessation-notice.pdf

Disclaimer

The purpose of this guide is to inform you of recent (and possible future) developments in Interest Rate Benchmarks (IRBs), and to advise you of certain general risks relating to the reform of interest rate benchmarks. These risks may affect transactions you may enter into with Nomura Holdings, Inc. and /or its subsidiaries ("Nomura") and/or financial products you may purchase from Nomura. This guide is not intended to be, and should not be relied upon as, legal, financial, tax, accounting or other advice. Nomura is not providing you with any such advice and you should consult your own advisors for advice on risks relating to the reform of interest rate benchmarks. This guide is not intended to be comprehensive. Material developments may have occurred since the latest issuance of this guide in June 2023. In particular, this guide is not intended to address the financial and other risks that may arise in connection with interest rate benchmark reforms and/or transactions referencing affected benchmarks or otherwise impacted by changes to those benchmarks.

This document will be updated periodically.
For any further information, please contact your Sales Relationship Manager.