

S&P Dow Jones Indices' Consultation on Potential Replacement Rates for Key London Interbank Offered Rates – Updated

NEW YORK, JULY 28, 2021: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on the impact resulting from the upcoming wind-down of London Interbank Offered Rates (“LIBOR”) utilized by major currencies around the globe. LIBOR is currently quoted as an annualized interest rate fixed for periods (i.e. Overnight/Spot, One Week, One Month, Two Months, Three Months, Six Months and 12 Months) for a range of currencies (USD, GBP, EUR, CHF, JPY).

The UK Financial Conduct Authority (“FCA”), which has supervisory authority over ICE Benchmark Administration, the administrator for LIBOR, has confirmed via a recent [announcement](#) that most “LIBOR settings will either cease to be provided by any administrator or no longer be representative” after the end of 2021, with the remaining U.S. dollar settings ceasing after June 2023.

Across the jurisdictions impacted by the wind-down of LIBOR, different approaches are being applied. Some will make a full replacement to the existing LIBOR and institute an alternative Risk-Free Rate (“RFR”) while others will employ dual rates which can be applied for specific uses.

The table below provides the current list of alternative rates across affected jurisdictions including S&P DJI’s proposed applications. The majority of providers of these alternative rates adhere to the International Organization of Securities Commissions’ (“IOSCO”) Principles for Financial Benchmarks.

LIBOR Currency	Expected Discontinuation	S&P DJI Proposed Replacement RFR Overnight and Term
USD	End of 2021: one-week and two-month settings; Mid-2023: Remaining settings	SOFR ¹
EUR	End of 2021; including EONIA ²	ESTR ³
GBP	End of 2021	SONIA ⁴
CHF	End of 2021	SARON ⁵
JPY	End of 2021	TONA ⁶

Rates such as Australian Interbank Overnight Cash Rate (“AONIA”), Canadian Dollar Offered Rate (“CDOR”), Euro Interbank Offered Rate (“EURIBOR”), and Tokyo Interbank Offered Rate (“TIBOR”) continue to be utilized in certain S&P DJI indices and are out of scope for purposes of this consultation. If this changes, S&P DJI reserves the right to seek market feedback via a separate consultation.

IMPACT ANALYSIS

For an analysis of the impact of the proposed changes, please refer to the file available [here](#).

For a list of impacted indices, please refer to the file available [here](#).

¹ Secured Overnight Financing Rate

² Euro Overnight Index Average

³ Euro Short-Term Rate

⁴ Sterling Overnight Index Average

⁵ Swiss Average Rate Overnight

⁶ Tokyo Overnight Average Rate

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described changes beginning with the October 2021 rebalancing. Please note that S&P DJI is not proposing to transition all indices simultaneously. A staggered schedule to complete the transitions will be employed based on the remaining rebalancing periods in 2021. If adopted, the staggered schedule will be provided along with details of the specific indices transitioning during a respective rebalancing period.

FUTURE CONSIDERATIONS

In addition to the proposed changes above, S&P DJI will consider whether an additional consultation is required on any further changes to Risk-Free Rates.

For example, in the U.S., it was recently [announced](#) that the Alternative Reference Rates Committee (“ARRC”) has selected the CME Group to administer forward-looking SOFR term rates.

While this is a significant step to create a replacement term benchmark, the ARRC has not yet formally recommended these forward looking SOFR term rates.

S&P DJI will continue to monitor the progress of the transition to SOFR term rates or alternative reference rates to determine the next course of action.

QUESTIONS

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

1. **Do you agree with S&P DJI’s proposed replacement Risk-Free Rates?**
2. **For indices that reference a term rate, do you agree with S&P DJI’s proposal to use an overnight Risk-Free Rate as a replacement?**
3. **If you answered “no” in question 2 above, would you prefer the use of a compounded Risk-Free Rate?**
4. **Is there a market accepted credit spread component that exists, or will exist, that should be considered along with any of the replacement rates?**
5. **If you answered “yes” in question 4 above, please provide details, including rationale.**
6. **Do you need S&P DJI to launch a new and separate version of any of the impacted indices?**
7. **If you answered “yes” in question 6 above, please provide details.**
8. **Do you agree with S&P DJI’s proposal to implement the changes for all LIBOR currencies prior to the end of 2021?**
9. **Once S&P DJI formally announces the replacement rates, do you agree with a staggered schedule approach to make these changes?**
10. **Do you have any other comments or feedback regarding the proposed changes outlined above?**

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. Please respond to this survey by **August 18, 2021**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee’s final review, S&P DJI may request clarifications from respondents as part of that review.

To participate in this consultation, please visit the online survey available [here](#).

CONSULTATION

For further information about this consultation, please contact S&P Dow Jones Indices at SPDJI_Index_Governance@spglobal.com.

Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P DJI makes no guarantees or is under any obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, an announcement will be posted on our website.

Thank you for taking the time to complete this survey.

For more information about S&P Dow Jones Indices, please visit www.spdji.com.

ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500[®] and the Dow Jones Industrial Average[®]. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has been innovating and developing indices across the spectrum of asset classes helping to define the way investors measure and trade the markets.

S&P Dow Jones Indices is a division of S&P Global (NYSE: SPGI), which provides essential intelligence for individuals, companies and governments to make decisions with confidence. For more information, visit www.spdji.com.

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