

October 27th 2021

Consultation on proposed amendments to the methodology of the Credit Suisse truVol US Target Sectors Index (CSEATVUS) (the “Benchmark”) in connection with LIBOR discontinuation

LIBOR Replacement Consultation #9 I

This document is addressed to relevant users and stakeholders and is published by Credit Suisse International (“CSI”) as the administrator of the Benchmark.

In light of the upcoming discontinuation of the London Inter-bank Offered Rate (“LIBOR”), as further described in “*Background to the Consultation*” below, and since the methodology of the Benchmark currently incorporates references to LIBOR, CSI, acting through its Benchmark Governance Committee, is consulting on its proposed amendments to the methodology of the Benchmark (the “Consultation”).

The aim of this Consultation is to provide users and stakeholders with: (i) applicable background; (ii) clear information on the proposed amendments; and (iii) practical information on responding to the Consultation and next steps.

If you do not understand the contents of this notice or are unsure how this affects you, you should consult an appropriate professional adviser.

Background to the Consultation

LIBOR is the benchmark of the interest rates at which major banks lend to each other in the interbank market. It is published in five currencies (US Dollar, Euro, British Pound, Japanese Yen, and Swiss Franc), administered by ICE Benchmark Administration Limited and regulated by the UK’s Financial Conduct Authority (“FCA”).

On 5 March 2021, the FCA published an announcement on the future cessation or loss of representativeness of the LIBORs¹, confirming that:

- publication of all tenors of euro LIBOR, Swiss franc LIBOR, Japanese yen LIBOR, Sterling LIBOR, and the 1-week and 2-month USD LIBOR tenors would cease to be provided or would no longer be representative immediately after 31 December 2021; and
- publication of all other USD LIBOR tenors would cease to be provided or would no longer be representative immediately after 30 June 2023.

In response to the Financial Stability Board recommendation of the development and adoption of alternative nearly risk-free rates, the following alternatives have been proposed:

LIBOR Currency	Proposed Replacement Rate
USD	Secured Overnight Financing Rate (“SOFR”)
GBP	Sterling Overnight Index Average (“SONIA”)
EUR	Euro Short-Term Rate (“€STR”)

¹ Available here: <https://www.fca.org.uk/publication/documents/future-cessation-loss-representativeness-libor-benchmarks.pdf>

CHF	Swiss Average Rate Overnight (“ SARON ”)
JPY	Tokyo Overnight Average Rate (“ TONAR ”)

Where changing from a term reference rate to an overnight reference rate would have an impact on an instrument referencing such rate, a spread may be applied to address such impact. In the case of LIBORs, the International Swaps and Derivatives Association, Inc (“**ISDA**”) has applied spreads in the LIBOR fallbacks contained in the 2006 ISDA Definitions, calculated using a historical median approach over a five-year lookback period from the date of an announcement on cessation or non-representativeness, and incorporate differences in tenor, credit risk premium and other factors.

Proposed amendments to the methodology of the Benchmark

In the context of the above, CSI, as administrator of the Benchmark proposes the following amendments. The purpose of these amendments is to replace Benchmark inputs which are based on LIBOR with suitable alternative inputs.

It is proposed that, with effect from the ‘Replacement effective date’ specified in Schedule 1, each reference rate specified as an “Input Reference Rate” in Schedule 1 which is used in the provisions of the index rules of the Benchmark to determine the value of either (i) a cash component or cash asset, (ii) a funding component or funding asset (including for the purposes of determining the ‘excess return’ value of any asset), or (iii) a formulaic FX hedge, in each case included in the Benchmark calculation, will be amended to refer to the specified replacement rate of the relevant tenor (each a “**Replacement Reference Rate**”) plus the corresponding spread (each a “**Spread**”) specified in Schedule 1 in relation to the relevant Input Reference Rate.

The Replacement Reference Rates proposed are those recommended by the Financial Stability Board as described in “Background to the Consultation” above, and the Spreads are identical to the spreads applied to the relevant Replacement Reference Rate pursuant to the fallbacks contained in the 2006 ISDA Definitions.

Consultation process

In order to take into account the views of users and stakeholders, CSI, as administrator of the Benchmark, is conducting this Consultation on the proposed amendments. The Consultation opens on Wednesday 27 October 2021 and will run until close of business in New York on Tuesday 30 November 2021 (the “**Consultation Period**”).

Within the Consultation Period, users and stakeholders are invited to send any feedback or comments on this Consultation to: list.qis-consultation@credit-suisse.com.

This Notice and any relevant updates relating to the Consultation will be made available here: <https://www.credit-suisse.com/uk/en/investment-banking/financial-regulatory/customer-notices.html?a=32>

Exiting positions or products prior to the implementation of any amendments

Users or stakeholders who wish to exit a position or product referencing the Benchmark prior to the implementation of any amendments should contact CSI via their usual contact or via email addressed to list.qis-consultation@credit-suisse.com.

SCHEDULE 1

INPUT REFERENCE RATES AND REPLACEMENT REFERENCE RATES

Input Reference Rate	Tenor	Replacement Rate	Spread (%)	Replacement effective date
CHF LIBOR	Spot	SARON Fixing 3. (Market Close. 18:00 pm CET) (BBG: SRFXON3 Index)	-0.0551	3 January 2022
	1 week		-0.0705	3 January 2022
	1 month		-0.0571	3 January 2022
	2 months		-0.0231	3 January 2022
	3 months		0.0031	3 January 2022
	6 months		0.0741	3 January 2022
	12 months		0.2048	3 January 2022
EUR LIBOR	Overnight	ESTR Volume Weighted Trimmed Mean Rate (BBG: ESTRON Index)	0.0017	3 January 2022
	1 week		0.0243	3 January 2022
	1 month		0.0456	3 January 2022
	2 months		0.0753	3 January 2022
	3 months		0.0962	3 January 2022
	6 months		0.1537	3 January 2022
	12 months		0.2993	3 January 2022
USD LIBOR	Overnight	United States SOFR Secured Overnight Financing Rate (BBG: SOFRRATE Index)	0.00644	3 July 2023
	1 week		0.03839	3 January 2022
	1 month		0.11448	3 July 2023
	2 months		0.18456	3 January 2022
	3 months		0.26161	3 July 2023
	6 months		0.42826	3 July 2023
	12 months		0.71513	3 July 2023
GBP LIBOR	Overnight	SONIA Interest Rate Benchmark (BBG: SONIO/N Index)	-0.0024	3 January 2022
	1 week		0.0168	3 January 2022
	1 month		0.0326	3 January 2022
	2 months		0.0633	3 January 2022
	3 months		0.1193	3 January 2022
	6 months		0.2766	3 January 2022
	12 months		0.4644	3 January 2022
JPY LIBOR	Overnight	Bank of Japan Final Result: Unsecured Overnight Call Rate TONAR (BBG: MUTKCALM Index)	-0.01839	3 January 2022
	1 week		-0.01981	3 January 2022
	1 month		-0.02923	3 January 2022
	2 months		-0.00449	3 January 2022
	3 months		0.00835	3 January 2022
	6 months		0.05809	3 January 2022
	12 months		0.16600	3 January 2022