

October 27th 2021

Consultation on proposed amendments to the methodology of certain Credit Suisse International indices in connection with LIBOR and EONIA discontinuation

LIBOR and EONIA Replacement Consultation #7

This document is addressed to relevant users and stakeholders and is published by Credit Suisse International (“**CSI**”) as the administrator of the CSI indices listed in Schedule 1 (the “**Benchmarks**”).

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

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 ”)

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

EUR	Euro Short-Term Rate (“ €STR ”)
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.

EONIA

On 2 October 2019 the methodology of calculating EONIA, the rate at which banks of sound financial standing in the European Union and European Free Trade Area lend Euro-denominated funds in the interbank market, was amended to be the Euro Short-Term Rate plus a spread of 0.085 per cent, based on the methodology recommended by the working group (established by the ECB, European Securities and Markets Authority, the European Commission and the Belgian Financial Services and Markets Authority) on euro risk-free rates. The European Money Markets Institute has announced that it will cease publication of EONIA on 3 January 2022.

Proposed amendments to the methodology of the Benchmarks

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

A – Calculation of cash and funding components

It is proposed that, with effect from the ‘Replacement effective date’ specified in Schedule 2, each reference rate specified as an “Input Reference Rate” in Schedule 2 which is used in the provisions of the index rules of the Benchmarks to determine the value of a cash component or cash asset, or a funding component or funding asset (including for the purposes of determining the ‘excess return’ value of any asset), included in the Benchmark calculation, will be amended to refer to the specified replacement rate of the relevant tenor (each a “**Replacement Reference Rate**”) specified in Schedule 2 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.

B – Discounting – Change in reference rates used in the Credit Suisse Listed Option Technical Annex

Section 2 of the Credit Suisse Listed Option Technical Annex details the calculation of the discount rates used in the calculation of the CS Flexible Hedging EUR Index (Bloomberg: CSEAAZUT).

It is proposed that the Credit Suisse Listed Option Technical Annex will be amended such that, with effect from 3 January 2022 Table 1 in Section 2 will be replaced with the following:

Table 1: Rates¹

	USD	EUR	GBP	CHF
One-day	The par rate for 1-day Interest Rate Swap as set out on Reuters page	ESTRON	SONIO/N	SSARON

	USDSROIS=TRDL at 11am NY time			
One-day maturity	1	1	1	1
Three-months	The par rate for 3-months Interest Rate Swap as set out on Reuters page USDSROIS=TRDL at 11am NY time	The par rate for 3-months Interest Rate Swap as set out on Reuters page EURESTOIS=ICAP at 11am London time	The par rate for 3-months Interest Rate Swap as set out on Reuters page GBPOISF11=ICAP at 11am London time	The par rate for 3-months Interest Rate Swap as set out on Reuters page CHFOIS=ICAP at 11am London time
Three-months maturity	90	90	90	90
One-year	The par rate for 1-year Interest Rate Swap as set out on Reuters page USDSROIS=TRDL at 11am NY time	The par rate for 1-year Interest Rate Swap as set out on Reuters page EURESTOIS=ICAP at 11am London time	The par rate for 1-year Interest Rate Swap as set out on Reuters page GBPOISF11=ICAP at 11am London time	The par rate for 1-year Interest Rate Swap as set out on Reuters page CHFOIS=ICAP at 11am London time
One-year maturity	360	360	365	365

1: Each discount rate set out in Table 1 is the respective discount rate as published, announced, displayed, reported or disseminated by the relevant data provider or data source chosen by Credit Suisse International (as the sponsor and administrator of the Underlying Indices) and recorded in its internal database as the source from which Credit Suisse International collects input data for the purposes of the Underlying Indices.

Consultation process

In order to take into account the views of users and stakeholders, CSI, as administrator of each of the Benchmarks, 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 a 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

IMPACTED BENCHMARKS AND TICKERS

Index Name	Bloomberg Ticker
CS Flexible Hedging EUR Index	CSEAAZUT
Mandatum Life Balanced Portfolio 50 Index	CSEAMLBP
Credit Suisse Flexible Diversified Multi-Asset Index	CSEAFDMA
Credit Suisse Cross Asset Custom Index	CSEAXA

SCHEDULE 2

INPUT REFERENCE RATES AND REPLACEMENT REFERENCE RATES

Input Reference Rate	Tenor	Replacement Rate	Replacement effective date
CHF LIBOR	Spot	SARON Fixing 3. (Market Close. 18:00 pm CET) (BBG: SRFXON3 Index)	3 January 2022
	1 week		3 January 2022
	1 month		3 January 2022
	2 months		3 January 2022
	3 months		3 January 2022
	6 months		3 January 2022
	12 months		3 January 2022
	EUR LIBOR		Overnight
1 week		3 January 2022	
1 month		3 January 2022	
2 months		3 January 2022	
3 months		3 January 2022	
6 months		3 January 2022	
12 months		3 January 2022	
USD LIBOR		Overnight	United States SOFR Secured Overnight Financing Rate (BBG: SOFRRATE Index)
	1 week	3 January 2022	
	1 month	3 January 2022	
	2 months	3 January 2022	
	3 months	3 January 2022	
	6 months	3 January 2022	
	12 months	3 January 2022	
	GBP LIBOR	Overnight	
1 week		3 January 2022	
1 month		3 January 2022	
2 months		3 January 2022	
3 months		3 January 2022	
6 months		3 January 2022	
12 months		3 January 2022	
JPY LIBOR		Overnight	Bank of Japan Final Result: Unsecured Overnight Call Rate TONAR (BBG: MUTKCALM Index)
	1 week	3 January 2022	
	1 month	3 January 2022	
	2 months	3 January 2022	
	3 months	3 January 2022	
	6 months	3 January 2022	
	12 months	3 January 2022	
	EONIA	Overnight	