

August 13th 2021

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

## LIBOR Replacement Consultation #2: LIBOR Swap Based Benchmarks

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**”).

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

### Background to the Consultation

LIBORs are the benchmark of the interest rates at which major banks lend to each other in the interbank market, published in five currencies (the US Dollar, the Euro, the British Pound, the Japanese Yen, and the Swiss Franc) and 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 LIBORs<sup>1</sup>, 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:

<b>LIBOR Currency</b>	<b>Proposed Replacement Rate</b>
USD	Secured Overnight Financing Rate ( <b>SOFR</b> )
GBP	Sterling Overnight Index Average ( <b>SONIA</b> )
EUR	Euro Short-Term Rate ( <b>€STR</b> )
CHF	Swiss Average Rate Overnight ( <b>SARON</b> )
JPY	Tokyo Overnight Average Rate ( <b>TONA</b> )

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

### 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 and replace these with suitable alternative inputs.

#### *A – The CS IRS Cross-Sectional Carry – 5% vol scaling in USD Index*

The underlying components of the CS IRS Cross-Sectional Carry – 5% vol scaling in USD Index consist of interest rate swaps denominated in various currencies and with various tenors. The interest rate swaps denominated in USD, GBP and JPY all have a LIBOR-based floating leg. It is proposed that, on or after 15 September 2021, new interest rate swaps denominated in GBP will have a SONIA-based floating leg, new interest rate swaps denominated in USD will have a SOFR-based floating leg and new interest rate swaps denominated in JPY will have a TONA-based floating leg.

#### *B – The CS IRS Cross-Sectional Value All 3 Factors – 5% vol scaling in USD Index*

The underlying components of the CS IRS Cross-Sectional Value All 3 Factors – 5% vol scaling in USD Index consist of interest rate swaps denominated in various currencies and with various tenors. The interest rate swaps denominated in USD, GBP and JPY all have a LIBOR-based floating leg. It is proposed that, on or after 15 September 2021, (i) new interest rate swaps denominated in GBP will have a SONIA-based floating leg, (ii) new interest rate swaps denominated in USD will have a SOFR-based floating leg and (iii) new interest rate swaps denominated in JPY will have a TONA-based floating leg.

#### *C – Certain of the Credit Suisse Rolling Receiver Interest Rate Swaps Indices*

The underlying component of some of the Credit Suisse Rolling Receiver Interest Rate Swaps Indices is an interest rate swap denominated in a particular currency with a particular tenor. The underlying interest rate swaps denominated in USD, GBP, CHF and JPY all have a LIBOR-based floating leg. It is proposed that with effect from 15 September 2021, (i) new interest rate swaps denominated in GBP will have a SONIA-based floating leg, (ii) new interest rate swaps denominated in USD will have a SOFR-based floating leg, (iii) new interest rate swaps denominated in CHF will have a SARON-based floating leg and (iv) new interest rate swaps denominated in JPY will have a TONA-based floating leg.

#### *D – Certain of the Credit Suisse 6m Rolling Receiver IRS Indices*

The underlying component of some of the Credit Suisse Rolling Receiver Interest Rate Swaps Indices is an interest rate swap denominated in a particular currency with a particular tenor. The underlying interest rate swaps denominated in USD, GBP, CHF and JPY have a LIBOR-based floating leg. It is proposed that with effect from 15 September 2021, (i) new interest rate swaps denominated in GBP will have a SONIA-based floating leg, and existing swaps will be unwound at mid and replaced by SONIA-based interest rate swaps, (ii) new interest rate swaps denominated in USD will have a SOFR-based floating leg and existing swaps will be unwound at mid and replaced by SOFR-based interest rate swaps, (iii) new interest rate swaps denominated in CHF will have a SARON-based floating leg and existing swaps will be unwound at mid and replaced by SARON-based interest rate swaps, and (iv) new interest rate swaps denominated in JPY will have a TONA-based floating leg and existing swaps will be unwound at mid and replaced by TONA-based interest rate swaps.

### 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 Friday 13 August 2021 and will run until close of business in New York on Friday 3 September 2021 (the “**Consultation Period**”).

Within the Consultation Period, users and stakeholders are invited to send any feedback or comments on this Consultation to: [list.gis-consultation@credit-suisse.com](mailto:list.gis-consultation@credit-suisse.com).

A summary of user and stakeholder comments, if any and unless confidentiality is requested, and CSI's response to such comments, shall be made available upon request following completion of the Consultation Period.

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](mailto:list.qis-consultation@credit-suisse.com).

**SCHEDULE 1**

**IMPACTED BENCHMARKS AND TICKERS**

*A – The CS IRS Cross-Sectional Carry – 5% vol scaling in USD Index (Bloomberg Ticker: CSWACA5U Index)*

*B – The CS IRS Cross-Sectional Value All 3 Factors – 5% vol scaling in USD Index (Bloomberg Ticker: CSWAVAFU Index)*

*C – Certain of the Credit Suisse Rolling Receiver Interest Rate Swaps Indices:*

<b>Index Name</b>	<b>Bloomberg Ticker</b>
Credit Suisse Rolling Receiver Interest Rate Swaps USD 02Y Index	CSWARU02
Credit Suisse Rolling Receiver Interest Rate Swaps USD 03Y Index	CSWARU03
Credit Suisse Rolling Receiver Interest Rate Swaps USD 04Y Index	CSWARU04
Credit Suisse Rolling Receiver Interest Rate Swaps USD 05Y Index	CSWARU05
Credit Suisse Rolling Receiver Interest Rate Swaps USD 07Y Index	CSWARU07
Credit Suisse Rolling Receiver Interest Rate Swaps USD 10Y Index	CSWARU10
Credit Suisse Rolling Receiver Interest Rate Swaps USD 20Y Index	CSWARU20
Credit Suisse Rolling Receiver Interest Rate Swaps USD 30Y Index	CSWARU30
Credit Suisse Rolling Receiver Interest Rate Swaps GBP 01Y Index	CSWARG01
Credit Suisse Rolling Receiver Interest Rate Swaps GBP 02Y Index	CSWARG02
Credit Suisse Rolling Receiver Interest Rate Swaps GBP 03Y Index	CSWARG03
Credit Suisse Rolling Receiver Interest Rate Swaps GBP 04Y Index	CSWARG04
Credit Suisse Rolling Receiver Interest Rate Swaps GBP 05Y Index	CSWARG05
Credit Suisse Rolling Receiver Interest Rate Swaps GBP 07Y Index	CSWARG07
Credit Suisse Rolling Receiver Interest Rate Swaps GBP 10Y Index	CSWARG10
Credit Suisse Rolling Receiver Interest Rate Swaps GBP 20Y Index	CSWARG20
Credit Suisse Rolling Receiver Interest Rate Swaps GBP 30Y Index	CSWARG30
Credit Suisse Rolling Receiver Interest Rate Swaps JPY 01Y Index	CSWARJ01
Credit Suisse Rolling Receiver Interest Rate Swaps JPY 02Y Index	CSWARJ02
Credit Suisse Rolling Receiver Interest Rate Swaps JPY 03Y Index	CSWARJ03
Credit Suisse Rolling Receiver Interest Rate Swaps JPY 04Y Index	CSWARJ04
Credit Suisse Rolling Receiver Interest Rate Swaps JPY 05Y Index	CSWARJ05
Credit Suisse Rolling Receiver Interest Rate Swaps JPY 07Y Index	CSWARJ07
Credit Suisse Rolling Receiver Interest Rate Swaps JPY 10Y Index	CSWARJ10
Credit Suisse Rolling Receiver Interest Rate Swaps JPY 20Y Index	CSWARJ20
Credit Suisse Rolling Receiver Interest Rate Swaps JPY 30Y Index	CSWARJ30
Credit Suisse Rolling Receiver Interest Rate Swaps CHF 01Y Index	CSWARC01

Credit Suisse Rolling Receiver Interest Rate Swaps CHF 02Y Index	CSWARC02
Credit Suisse Rolling Receiver Interest Rate Swaps CHF 03Y Index	CSWARC03
Credit Suisse Rolling Receiver Interest Rate Swaps CHF 04Y Index	CSWARC04
Credit Suisse Rolling Receiver Interest Rate Swaps CHF 05Y Index	CSWARC05
Credit Suisse Rolling Receiver Interest Rate Swaps CHF 07Y Index	CSWARC07
Credit Suisse Rolling Receiver Interest Rate Swaps CHF 10Y Index	CSWARC10
Credit Suisse Rolling Receiver Interest Rate Swaps CHF 20Y Index	CSWARC20
Credit Suisse Rolling Receiver Interest Rate Swaps CHF 30Y Index	CSWARC30

*D – Certain of the Credit Suisse 6m Rolling Receiver IRS Indices:*

<b>Index Name</b>	<b>Bloomberg Ticker</b>
Credit Suisse 6m Rolling Receiver IRS USD 02Y Index	CSWAZU02
Credit Suisse 6m Rolling Receiver IRS USD 05Y Index	CSWAZU05
Credit Suisse 6m Rolling Receiver IRS USD 10Y Index	CSWAZU10
Credit Suisse 6m Rolling Receiver IRS USD 20Y Index	CSWAZU20
Credit Suisse 6m Rolling Receiver IRS GBP 02Y Index	CSWAZG02
Credit Suisse 6m Rolling Receiver IRS GBP 05Y Index	CSWAZG05
Credit Suisse 6m Rolling Receiver IRS GBP 10Y Index	CSWAZG10
Credit Suisse 6m Rolling Receiver IRS GBP 20Y Index	CSWAZG20
Credit Suisse 6m Rolling Receiver IRS JPY 02Y Index	CSWAZJ02
Credit Suisse 6m Rolling Receiver IRS JPY 05Y Index	CSWAZJ05
Credit Suisse 6m Rolling Receiver IRS JPY 10Y Index	CSWAZJ10
Credit Suisse 6m Rolling Receiver IRS JPY 20Y Index	CSWAZJ20
Credit Suisse 6m Rolling Receiver IRS CHF 02Y Index	CSWAZC02
Credit Suisse 6m Rolling Receiver IRS CHF 05Y Index	CSWAZC05
Credit Suisse 6m Rolling Receiver IRS CHF 10Y Index	CSWAZC10
Credit Suisse 6m Rolling Receiver IRS CHF 20Y Index	CSWAZC20