

August 13th 2021

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

LIBOR Replacement Consultation #3: LIBOR Signals 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 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)
CHF	Swiss Average Rate Overnight (SARON)
JPY	Tokyo Overnight Average Rate (TONA)

¹ 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 Credit Suisse Interest Rates Daily Dynamic Eurodollar Indices

Each of the Credit Suisse Interest Rates Dynamic Indices (listed below and in Part A of Schedule 1 hereto) utilises a ‘Rates Momentum Signal’, calculated by reference to the change in the level of an interest rate over the previous 12 month period, as one of five signals to determine the target weights of its components. It is proposed that each of these indices will be amended so that, with effect from 9 September 2021, the Rates Momentum Signal will be calculated using the “New Interest Rate” outlined in the table below, in place of the “Old Interest Rate” also set out in such table. The time at which such interest rates are measured is included in the table for reference.

Index Name	Old Interest Rate	New Interest Rate
Credit Suisse Dynamic Eurodollar 2 Index	ICE LIBOR 6m USD	SOFR Swap Rate 6m
Credit Suisse Dynamic Eurodollar 3 Index	ICE LIBOR 6m USD	SOFR Swap Rate 6m
Credit Suisse Dynamic Eurodollar 4 Index	ICAP Swap Rate 1y USD	SOFR Swap Rate 1y
Credit Suisse Dynamic Eurodollar 5 Index	ICAP Swap Rate 1y USD	SOFR Swap Rate 1y
Credit Suisse Dynamic Eurodollar 6 Index	ICAP Swap Rate 1y USD	SOFR Swap Rate 1y
Credit Suisse Dynamic Eurodollar 7 Index	ICAP Swap Rate 2y USD	SOFR Swap Rate 2y
Credit Suisse Dynamic Eurodollar 8 Index	ICAP Swap Rate 2y USD	SOFR Swap Rate 2y

B - the CS Dynamic 10y IRS – 5% vol target in USD Index

The CS Dynamic 10y IRS – 5% vol target in USD Index utilises a ‘Rates Momentum Signal’, calculated using the one, month, two month and three month returns of the index component, as one of five signals to determine the target weights of its index component. The return of the index component is calculated using the spot rate of the “underlying swap” of the index component. It is proposed that, with effect from 15 September 2021, the index component will be amended such that the “underlying swap” of the index component will cease to be a swap with a LIBOR-based floating leg and will become a swap with a SOFR-based floating leg.

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.

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.

SCHEDULE 1

IMPACTED BENCHMARKS AND TICKERS

Part A – the Credit Suisse Interest Rates Dynamic Indices:

Index Name	Bloomberg Ticker
Credit Suisse Dynamic Eurodollar 2 Index	CATPD22D
Credit Suisse Dynamic Eurodollar 3 Index	CATPD32D
Credit Suisse Dynamic Eurodollar 4 Index	CATPD42D
Credit Suisse Dynamic Eurodollar 5 Index	CATPD52D
Credit Suisse Dynamic Eurodollar 6 Index	CATPD62D
Credit Suisse Dynamic Eurodollar 7 Index	CATPD72D
Credit Suisse Dynamic Eurodollar 8 Index	CATPD82D
Credit Suisse Daily Dynamic Eurodollar 5% Index	CIRBED5D

Part B – the CS Dynamic 10y IRS – 5% vol target in USD Index (Bloomberg Ticker: CSWA10YD)