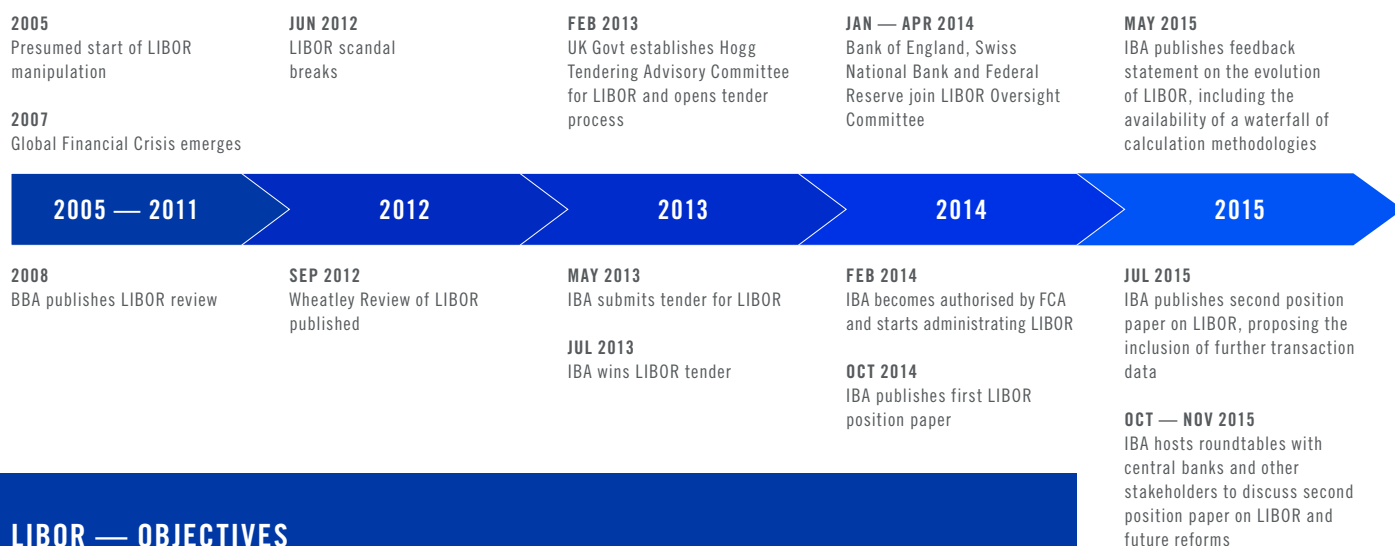


LIBOR

A PATH TO GLOBAL REFORM

- A reference rate to determine interest payments for primary products such as loans and mortgages
- A benchmark rate for derivatives contracts for example swaps, futures and forwards
- A discount rate in valuation which is used to calculate the present value of cash flow exchanged between counterparties to a swap
- Global significance. It is referenced by an estimated US\$ 350 trillion of outstanding contracts in maturities ranging from overnight to more than 30 years
- Published on London business days across 5 currencies with 7 maturities quoted for each - ranging from overnight to 12 months
- 11 and 18 contributor banks contribute to each currency calculated; each bank submits rates at which it could obtain unsecured funding
- LIBOR is calculated using a trimmed arithmetic mean, by excluding the highest and lowest 25% of submissions



LIBOR — OBJECTIVES

LIBOR has been evolving since the Wheatley Review in September 2012 and continues to evolve to reflect the changes in the interbank market, banks' funding needs and practices and the growing body of regulation.

In line with the strategic direction and timeline set by the Financial Stability Board (FSB) and other global regulatory bodies, ICE Benchmark Administration (IBA) is investing significant resources in reforming LIBOR to meet the following objectives:

- Base LIBOR in transactions to the greatest extent possible
- Create a single, clear, comprehensive and robust LIBOR definition
- Implement a framework for ensuring the rate can adapt to changing market conditions

LIBOR — HOW IT'S CHANGED?

- LIBOR is now administered by IBA which is an independent organisation with no affiliation to submitters (panel banks)
- IBA is regulated by the Financial Conduct Authority (FCA) in the UK and is subject to the FCA's rules for systemically important benchmarks in the UK
- LIBOR panel banks are also regulated by the FCA and must have designated senior managers ("CF40s") who have personal liability
- Panel banks are required to have annual external audits
- Panel banks have implemented robust governance processes for their LIBOR submissions; their controls have been reviewed by the FCA
- Panel banks send all of their related funding trade / transaction data to IBA every day together with other evidence to support LIBOR submissions for that day
- IBA has purpose-built surveillance tools and systems in place, as well as a dedicated team of analysts who examine banks' trading activity and evidence every day running millions of pre- and post-publication statistical calculations and analysis on LIBOR submissions
- The submission process which had been unchanged for many years is now run on modern, purpose-built technology with a redesigned and automated process, providing real time validation checks on the submissions to prevent errors before the rate is calculated
- The Oversight Committee includes representatives from the Federal Reserve, Swiss National Bank and the Bank of England and is responsible for overseeing LIBOR policies and procedures and working to return credibility to LIBOR while ensuring its continued relevance
- Separately capitalized from the parent company, IBA also has an independent governance structure including a board with a majority of Independent Non-Executive Directors



Independent, transparent and run on a commercial basis to avoid conflicts of interest

LIBOR — AT A GLANCE

	UNDER ICE BENCHMARK ADMINISTRATION	STATUS
OVERSIGHT & GOVERNANCE	<ul style="list-style-type: none"> • Independent, transparent and run on a commercial basis to avoid conflict of interest • Established a board of directors with majority Independent Non-Executive Directors • Introduced corporate governance procedures (risk and audit committee, etc) • Oversight committee, run and chaired by IBA • Transformed structure of the oversight committee: submitters 20%, users, infrastructure providers, central banks as observers and administrators are 80% • Minutes publicly available 	Complete
SURVEILLANCE	<ul style="list-style-type: none"> • Daily surveillance by a dedicated team • Bespoke surveillance technology - tailored and built in-house to ensure fit for purpose • Technology performs 4 million calculations each day 	Complete
PROCESS & TECHNOLOGY	<ul style="list-style-type: none"> • Run in-house so full visibility and ownership • New process and technology for collecting submissions • Real time validation checks to prevent errors • Doubled the time that submitters have to check their submissions without delaying the publication time 	Complete

FURTHER INFORMATION

theice.com/iba/libor

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ICE Benchmark Administration (IBA) was formerly known as NYSE Euronext Rate Administration Limited (NEURAL). It was renamed ICE Benchmark Administration following the acquisition of NYSE Euronext by Intercontinental Exchange (ICE) in 2013