June 2021

LIBOR Transition

Frequently Asked Questions (FAQs)

1. Why is LIBOR transition required?

London Interbank Offered Rate (LIBOR) is a global benchmark rate currently published by Intercontinental Exchange (ICE) based on submissions by panel banks. This is monitored by the ICE Benchmark Administration. LIBOR is published in 5 currencies (GBP, USD, EUR, CHF, and JPY) and for 7 different tenors in each of the currency.

Allegations regarding LIBOR manipulation revealed that the rate was being manipulated to not only window dress banks' financial statements, but also to generate substantial trading profits from LIBOR linked exposures. Furthermore, global regulators have noted that the representativeness of LIBOR as a funding rate for banks has reduced significantly in comparison to alternative reference rates.

Driven by these and other related factors, the Financial Conduct Authority (FCA) of the UK has announced LIBOR phase out, due to which LIBOR transition is required.

2. What is the exact date for discontinuation of LIBOR?

The dates for discontinuation of different LIBOR currencies and tenors are as follows:

LIBOR Setting	Last date of publication / representativeness
CHF LIBOR	
ALL CHF LIBOR settings (permanent cessation)	December 31, 2021
EUR LIBOR	
ALL EUR LIBOR settings (permanent cessation)	December 31, 2021
GBP LIBOR	
Overnight, 1-week, 2-month and 12-month GBP LIBOR settings (permanent cessation)	December 31, 2021
1-month, 3-month and 6-month GBP LIBOR settings (cease or synthetic basis)	December 31, 2021
JPY LIBOR	
Spot next, 1-week, 2-month and 12-month JPY LIBOR settings (permanent cessation)	December 31, 2021
1-month, 3-month and 6-month JPY LIBOR settings (cease or synthetic basis)	December 31, 2021
USD LIBOR	
Overnight and 12-month USD LIBOR settings (permanent cessation)	June 30, 2023
1-week and 2-month USD LIBOR settings (permanent cessation)	December 31, 2021
1-month, 3-month and 6-month USD LIBOR settings (cease or synthetic basis)	June 30, 2023

Source – Financial Conduct Authority 'FCA announcement on future cessation and loss of representativeness of the LIBOR benchmarks'.

In addition, global regulators have issued supervisory guidance to limit new use of US$ LIBOR after the end of 2021. In other words, it is expected that the Bank will not offer fresh Derivative/Cash products that are linked to LIBOR after 31st December, 2021.

3. **What does publication of LIBOR on synthetic basis mean?**
Globally, there are some existing LIBOR contracts which are particularly difficult to amend, often known as 'tough legacy' contracts. For such contracts, the FCA may (based on its consultation process) publish LIBOR on a 'synthetic' basis beyond the hard transition dates. Any such 'synthetic' LIBOR may not be based on transaction data, and as confirmed by regulators, will not be considered representative under Benchmark Regulations. Its intention is for use in tough legacy contracts only and the nature of such tough legacy contracts will be specified by the FCA

For most of our contracts, we do not expect a fallback to synthetic LIBOR.

4. **Are the LIBOR cessation deadlines likely to change?**
The above-mentioned deadlines are not likely to change. There are chances that LIBOR may cease to exist even prior to the mentioned deadlines, if the existing panel of banks stop submitting their quotes. Therefore, it is essential to prepare for the cessation before the end of 2021.

5. **Which products offered by Axis Bank will be impacted because of this transition?**
Both cash and derivatives products linked to LIBOR will be affected. The following range of products offered by Axis Bank will be impacted because of this transition:
- FX & Derivative Products
- Non-INR Trade Loans
- Foreign Currency Term Loans
- Foreign Currency borrowings.
- Non-INR Money Market Product

6. **What rates will be used to replace LIBORs?**
Alternative Reference Rates (ARRs) have been developed for different LIBORs. These are essentially overnight risk-free rates. The following are the overnight ARRs developed by different regulators.

IBORs	ARRs		Rate Administrator
USD LIBOR	SOFR	Secured Overnight Financing Rate	Federal Reserve
GBP LIBOR	SONIA	Sterling Overnight Index Average	Bank of England
EURO LIBOR	ESTR	Euro Short-term Rate	ECB
CHF LIBOR	SARON	Swiss Average Rate Overnight	SIX Swiss Exchange
JPY LIBOR/TIBOR	TONAR	Tokyo Overnight Average Rate	BoJ
SGD SIBOR	SORA	Singapore Overnight Rate Average	MAS

Average daily trading volumes in ARRs continue to rise. Along with it, activity in ARR futures and floating rate notes (FRNs) based on the respective ARRs is building, giving confidence to market participants over the growth of the OTC swap markets. The trades based on SOFR have increased as a result of Central Counterparty Clearing Houses (CCPs) moving away from Fed Funds to SOFR discounting. However, the increase in the volumes traded is gradual.

SONIA in the UK has been a benchmark risk free rate since 2017 and continues to gain rapid volumes both inthe OTC market as well as in exchange traded futures. More than half of the GBP swap rates are SONIA based In Europe, EUR LIBOR will be discontinued by December 2021 whereas EURIBOR is not expected to cease in the near future. However, ECB has recommended the transition to ESTR as a fallback rate and for replacing EUR LIBOR. JPY TONAR, the uncollateralized overnight call rate will replace the current JPY LIBOR rates as the benchmark risk free rate. Progress in JPY has been very gradual, and Japan plans to take a multiple rate approach wherein Domestic TIBOR is expected to continue with TONAR. In addition, EuroYen TIBOR is expected to discontinue after the cessation of JPY LIBOR.

Furthermore, work on the development of term reference rates for the ARRs, is underway. However, regulators expect market participants to not wait for the development of term reference rates in their transition efforts.

7. **What is the difference between LIBOR and ARR?**

   There are certain structural differences between LIBOR and ARR. The differences are as follows:

   - LIBOR's computation may be based on a submission of rates by panel banks, and is a forward-looking rate. It is administered by ICE Benchmark Administrator and is regulated by the FCA (UK). Whereas, ARRs are entirely based on transaction data. They are overnight rates and generally used in arrears (i.e. users look backwards at the end of an interest period to compute the average interest rate period). ARRs are administered and regulated by different bodies in their respective jurisdictions. Further, different ARRs may use different conventions/standards for computing term rates.

   - Currently LIBOR is computed for various tenors such as Overnight, 1 week, 1 month, 2 months, 3 months, 6 months, and 12 months. However, ARRs are currently available for Overnight Tenors. Respective authorities are working towards establishing term rates for ARRs.

   - LIBOR includes the credit risk premium in the rates whereas, ARRs are risk free rates (in some cases not completely risk free as some rates are unsecured) and do not include a credit risk premium.

8. **What notifications on LIBOR transition have we received from regulatory bodies in India?**

   The Reserve Bank of India had officially notified LIBOR transition to banks in FY2020-21. The Indian Banks

   Association has conducted numerous surveys and webinars to seek feedback and enhance awareness amongst market participants. Simultaneously, The Financial Benchmarks India Pvt. Ltd (FBIL) has published the RBI approved methodologies for Adjusted MIFOR and Modified MIFOR. The first print of the Adjusted MIFOR was published by the FBIL on the 15th of June 2021.

9. **What are the risks associated with LIBOR transition?**

   The change in benchmark (from LIBOR to ARR) will entail changes in cash flows and potential changes in valuations of outstanding contracts. While regulators and benchmark administrators have proposed the best statistical approach to minimize the monetary impact of the transition, the impact cannot be assumed to bezero.

   Parties may also face legal and operational challenges with outstanding contracts. The global recommendation is to undertake amendments of outstanding contracts to minimize such challenges.

10. **Will MIFOR linked products get impacted? If so, what will be the impact on MIFOR linked products?**

    Mumbai Interbank Forward Offer Rate (MIFOR) is also derived from USD LIBOR and USD/INR Forward Premia. Approximately $1trillion worth of contracts are linked to MIFOR; hence, phase out of LIBOR will raise issues related to existing contracts and methodology used to calculate rates like MIFOR.

    IBA (Indian Banking Association) had conducted market surveys to understand the market view regarding MIFOR fall back mechanics and to explore the options around replacing the current MIFOR benchmark.

    Financial Benchmarks India Pvt Ltd (FBIL) has developed Adjusted MIFOR for legacy contracts which would replace the LIBOR component in MIFOR with an All-in Fallback Rate. The all-in Fallback Rate for LIBOR will be computed by adding Adjusted SOFR and a Spread Adjustment. Adjusted SOFR will be published by Bloomberg and will be the Overnight SOFR rates compounded in arrears for respective tenors based on Bloomberg's IBOR Fallback Risk Adjustment Rule Book (available on Bloomberg's website: *https://www.bloomberg.com/professional/solution/libor-transition/*). In addition, the Spread Adjustment methodology will also follow Bloomberg's IBOR Fallback Risk Adjustment Rule Book wherein the historical median spread between Adjusted SOFR and LIBOR for 5-year lookback period will be taken. The forward component in MIFOR would continue to be the USD/INR Forward Premia as used currently. The details on methodology for Adjusted MIFOR can be accessed from FBIL's website (*https://www.fbil.org.in*). The methodology has been approved by the RBI and the rates are expected to be made available by June 2021.

    In addition, Modified MIFOR will be used for new transactions after LIBOR cessation date. IBA's survey results on the methodology for Modified MIFOR is out and FBIL has designed a draft methodology based on the survey results. Modified MIFOR will be computed based on Adjusted SOFR and USD/INR Forward Premia. Both Adjusted and Modified MIFOR will be published in-arrears.

11. What is the replacement for MIFOR Curve?

The Financial Benchmarks India Pvt. Ltd (FBIL) has published a draft Methodology Document for FBIL Adjusted MIFOR curve and Modified MIFOR curve. The agency has already started work on implementation of Adjusted MIFOR for legacy contracts which is expected to be made available to the market by June 2021. Further, draft methodology for Modified MIFOR has been published on FBIL website and will be used for new transactions. Once finalized, the implementation for Modified MIFOR will also commence.

12. Will MIFOR be published after 31st December 2021?

Three rates will be published after 31st December 2021:

- MIFOR (will be used for Fixings and settlements of legacy exposures only, until the end of 30th June 2023 Legacy Contracts means contracts which had been undertaken before 31st December 2021).
- Adjusted MIFOR (which will be used for fixings and settlement of legacy contracts after 30th June 2023)
- Modified MIFOR* (which will be used for new contracts)

*Modified MIFOR is based on the draft methodology published on FBIL website.

13. What is the impact on MIBOR linked contracts?

No separate announcement has been made with respected to MIBOR. Given current information, products linked to MIBOR will not be affected by LIBOR Transition.

14. What should be done for the existing contracts (maturing beyond the LIBOR cessation dates) which are getting impacted?

Contract remediation and repapering is required.

If parties with outstanding derivative contracts have adhered to the ISDA Protocol, then their contracts will be referenced to the rates and definitions which are prescribed by ISDA (via the Bloomberg rule book). Notwithstanding this, such parties have an option to consider a bilateral agreement with the Bank if they wish to negotiate separate terms (though we anticipate such a bilateral agreement to be exceptional). Please refer to Q19.

Parties with outstanding LIBOR linked loan contracts must bilaterally re-negotiate their outstanding contracts with the Bank. This will allow the provision to incorporate fallback ARRs in these contracts which would include the methodology used for computing average interest for the period based on the ARRs.

For further information, please get in touch with your Axis Bank Relationship Manager.

15. How will existing hedges between loans and derivatives be affected?

Hedges can get affected if the fallback treatment for loans is different from the fallback treatment for the respective underlying derivatives.

LIBOR linked derivatives will fall back to the methodologies which are referenced in the ISDA protocol (for participants who have adhered to the ISDA protocol). The methodologies for loans are negotiable between the borrower and the lender. During loan negotiations, parties may want to ensure that the methodologies used for derivatives and loans are synchronized to avoid the introduction of any basis between the two.

16. What is fallback language?

It refers to the provision which defines the process to identify a replacement rate if benchmark rate is not available.

17. Is fall back language incorporated in the existing contracts?

The current fallback language in existing derivative contracts is not sufficient to address the permanent cessation of LIBOR. While it provides a solution when benchmark rates are temporarily unavailable (e.g. owing to a natural calamity in London because of which panel banks are unable to provide a quote) it will not address the situation where benchmark rates are permanently unavailable. However, if the contract is referenced to the 2006 ISDA definition and the Protocol is signed by Axis Bank's counterparty, then contract remediation is not required (see information on ISDA protocol below).

For new loan contracts, a language for replacement of the screen rate was introduced by Axis Bank since 2019. However, this may not be sufficient as it does not specify the applicable rate / methodology for computing the replacement rate.

18. What are the components of fallback language?

- The events which trigger the transition
- The replacement rate.
- The spread adjustment methodology to arrive at an all-inclusive ARR.

19. How will fallbacks be incorporated in derivative contract?

For derivative contracts, the International Swaps and Derivatives Association (ISDA) issued 2020 IBOR Fallbacks Supplement (Supplement) and 2020 IBOR Fallbacks Protocol (Protocol) on 23th October 2020. The market participants may choose to adhere to the Protocol. Adherence to the Protocol will allow parties to amend their existing derivative contracts such that a reference to the relevant IBOR in those contracts will get replaced with an alternative rate which is defined in the Supplement (released along with the Protocol). Current ISDA members and non-ISDA members may adhere to the IBOR fall back Protocol.

<u>New Contracts</u>

ISDA Supplement came into effect on 25th January, 2021. For adhering parties, all new cleared and non-cleared derivatives trades that reference the 2006 Definitions will automatically incorporate the new fallbacks.

<u>Existing non-cleared contracts (OTC contracts)</u>

For legacy non-cleared contracts, ISDA has published a Protocol that will allow banks to include the new fallbacks into their existing trades with clients who choose to adhere.

Clients who choose not to adhere to ISDA Protocol for existing OTC contracts, a bilateral agreement needs to be signed between the client/counterparty and Axis Bank.

20. What is the process for adhering to the Protocol?

An entity can choose to adhere to the protocol by visiting ISDA's website to generate and sign the Adherence Letter. This signed letter can be uploaded on ISDA's website. Once ISDA accepts the letter, it will send a mail confirmation to the adhering party.

Further, the Protocol effective date was 25th January, 2021 after which the adhering party has to submit a one-time fee of US$500 to ISDA on or before submitting the Adherence Letter.

For further information, please visit the Protocol section of ISDA's website (*https://www.isda.org/protocol/isda-2020-ibor-fallbacks-protocol/*).

21. What is ISDA IBOR fallbacks methodology?

The methodology used in the calculation of the IBOR fallbacks. It was determined through a series of market-wide consultations conducted by ISDA.

<u>'All-In' Fallback Rate</u>

The 'all-in' fallback rate is the sum of two components: the adjusted reference rate and spread adjustment.

<u>Adjusted Reference Rate</u>

- Overnight 'risk-free' rate compounded to provide a term rate
- Set in arrears

<u>Spread Adjustment</u>

- Median spread between IBOR and adjusted reference rate over a five-year historical period
- Becomes a fixed value when the IBOR cessation is triggered

NOTE: The selected methodology is fixed and cannot be altered without ISDA conducting further market consultations.

22. Has Axis Bank signed the Protocol?

Yes, Axis Bank has signed the ISDA IBOR Fallbacks Protocol.

23. Is there a due date for signing the Protocol?

ISDA has not announced a due date for adhering to the Protocol yet, but reserves the right to do so by giving at least 30 days' notice. For further information please visit ISDA's website (www.isda.org).

24. How will Adjusted and Modified MIFORs be incorporated in the legacy and new contracts respectively?
Currently it is being discussed that supplement may be published (similar to the ISDA Supplement and Protocol) which will allow parties to incorporate fallback language in existing MIFOR linked legacy contracts.

25. What is the fixed spread adjustment for LIBORs with different tenors?
After the FCA's announcement on the 05th March 2021, Bloomberg spread adjustment rates were fixed as on 05th March 2021. The fixed tenor-wise spread adjustment for different currencies is as follows:

LIBOR	Tenor	Spread Adjustment
CHF	Spot/Next	-0.0551
	1 week	-0.0705
	1 month	-0.0571
	2 months	-0.0231
	3 months	0.0031
	6 months	0.0741
	12 months	0.2048
EUR	Overnight	0.0017
	1 week	0.0243
	1 month	0.0456
	2 months	0.0753
	3 months	0.0962
	6 months	0.1537
	12 months	0.2993
GBP	Overnight	-0.0024
	1 week	0.0168
	1 month	0.0326
	2 months	0.0633
	3 months	0.1193
	6 months	0.2766
	12 months	0.4644
JPY	Spot/Next	-0.01839
	1 week	-0.01981
	1 month	-0.02923
	2 months	-0.00449
	3 months	0.00835
	6 months	0.05809
	12 months	0.166
USD	Overnight	0.00644
	1 week	0.03839
	1 month	0.11448
	2 months	0.18456
	3 months	0.26161
	6 months	0.42826
	12 months	0.71513

Source: Technical Notice – Spread Fixing for LIBOR (Bloomberg)

26. When will Axis Bank start offering new ARR linked products?
Our team is working on formulating new ARR linked products in order to offer it to our clients well before the LIBOR cessation date.

27. How can fallback language be incorporated in my LIBOR linked loan contract?
Unlike Derivatives contracts, loan products do not have a uniform fallback language.

The Loan Market Association (LMA) and Alternative Reference Rates Committee (ARRC) have proposed certain fallback languages for loans. Counterparties may use these for guidance.

For further information please visit ARRC (*https://www.newyorkfed.org/arrc/fallbacks-contract-language*) & LMA's website (*https://www.lma.eu.com/documents-guidelines/documents#reference-rate-selection-agreement144*)

For loan products, all the contracts need to be renegotiated bilaterally (or with a consortium of lenders for syndicated loans). There is no similar protocol like ISDA which enables a multilateral amendment of Derivatives contracts.

Please approach your Axis Bank Relationship Manager for further assistance on this.

28. What if LIBOR linked contracts (loans/derivatives) are not incorporated with new fallback language before the cessation date?

Most outstanding contracts do not automatically fall back to an equivalent market linked benchmark. Some examples of options mentioned in outstanding loan contracts, without any amendment, include fall back to a historic screen rate or fallback to the lender/('s) reference rates.

Legacy derivatives contracts that do not incorporate the new fallbacks will typically include a fallback to quotations from reference banks if the relevant IBOR is not available. These fallbacks specify that the calculation agent will request quotations from reference banks, but do not set out further fallbacks if quotations from reference banks are not available. In the event of a permanent cessation of a rate, there is widespread concern that these fallbacks will not provide a robust or sustainable outcome.

29. How is the riskiness of Alternate Reference Rates different from the riskiness of LIBOR?

Alternate Reference Rates are mostly Overnight Interest Rates and do not include a premium for interbank credit risk. Some ARRs, like the USD SOFR, are secured by Government bonds. They are also referred asRisk-Free Rates because of their least vulnerability to credit events.

LIBOR being a rate for unsecured exchange of funds between banks, embeds a premium for interbank-credit risk. Historically, LIBOR has underperformed (risen against) risk free rates during credit events.

<u>ISDA 2020 IBOR Fallbacks Protocol (Protocol) FAQs</u>

30. What action should be taken if we have an outstanding LIBOR linked exposure with Axis Bank as on 25th January 2021?

If you have signed the Protocol and accepted the ISDA fallback rates, then no amendments are required in any documents (ISDA, CSA, and Confirmations) as both counterparties (you and Axis Bank) have signed the Protocol.

In case you have not signed the Protocol or prefer replacement rates which differ from the ISDA prescribed methodology, then a bilateral agreement with the Bank shall be agreed upon. For further information, please get in touch with your Axis Bank Relationship Manager.

31. What if we do not have any outstanding LIBOR linked exposures with Axis Bank as on 25th January 2021, but executed ISDA and CSA before the said date?

If you have signed the Protocol, no amendment is required to the documents provided all documents are Protocol Covered Documents. The date of the later of the two parties adhering to the Protocol will be relevant. If the Protocol is signed, all counterparties who do not have outstanding LIBOR linked exposures as on such date but executed ISDA and CSA before such date, no amendments are required to be entered into.

In case you have not signed the Protocol, a bilateral agreement will have to be agreed upon with the Bank. For further information, please get in touch with your Axis Bank Relationship Manager.

32. What is the criteria for a document to be classified as a Protocol Covered Document?

One of the following criteria should be met for a document to be classified as a Protocol Covered Document:

- A document (Master Agreement, Credit Support Document or Confirmation) should incorporate the 2006 ISDA Definitions or certain earlier ISDA definitions (i.e., the 2000 ISDA Definitions, the 1998 ISDA Euro

Definitions, the 1998 Supplement to the 1991 ISDA Definitions or the 1991 ISDA Definitions) to incorporate the relevant rate options (each a "Covered Definition Booklet"),

- Referencing an IBOR "as defined" in or with the meaning given in a Covered ISDA Definitions Booklet, or
- Referencing an IBOR howsoever defined.

33. What action is required if we do not have outstanding LIBOR linked transactions with Axis Bank as on 25th January 2021, and executed ISDA and CSA after 25th January 2021?
No action is required as ISDA, CSA, and Confirmations will be referenced to 2006 Definitions.

34. Can we do new SOFR trades without signing the Protocol provided that we have existing ISDA agreements with Axis Bank?
You can enter into new SOFR trades without signing the Protocol. However, deal confirmation should make reference to the 2006 ISDA Definitions for such trades.

35. Certain LIBORs will get published until 30th June 2023, but might become illiquid after 31st December 2021. Will there be any provision for us to switch out of LIBOR into the fallback rates (ARR in arrears + spread adjustment) prior to its cessation date of 30th June 2023?
Yes, you may switch out of LIBOR by entering into bilateral agreements to that effect with respective counterparties.

36. What are new clients of Axis Bank required to do who are executing ISDA after 25th January 2021 and have referenced the 2006 Definitions?
No action is required as ISDA, CSA, and Confirmations will be referenced to 2006 ISDA Definitions.

37. How can fallback be incorporated for new Axis Bank clients who are executing ISDA after 25th January 2021 and have not referenced to the 2006 Definitions nor has signed up to the Protocol?
The Bank will sign a Bilateral Agreement with the client in this case to include the 2006 Definitions or, the counterparty can adhere to the Protocol as the Bank has already signed the Protocol.

38. What if we do not have outstanding LIBOR linked exposures with Axis Bank as on 25th January 2021 but executed ISDA/CSA before 25th January 2021 and want to enter into a SOFR linked trade? Given that we have not signed the Protocol or Bilateral Agreement, will we be allowed to execute the trade?
Given the above scenario, you can do SOFR linked trades without signing the Protocol; however, deal confirmation for such trades should make reference to the 2006 ISDA Definitions.

<u>SDA IBOR Protocol Matrix</u>

ISDA IBOR Protocol Matrix	LIBOR linked Derivative transactions entered before 25-Jan-2021 (outstanding beyond LIBOR cessation)	LIBOR linked Derivative transactions entered on or after 25-Jan-2021 (outstanding beyond LIBOR cessation)
ISDA executed before 25-Jan-2021	Protocol needs to be signed or enter into Bilateral Agreement.	If "as revised from time to time" is mentioned in relation to the 2006 ISDA Definitions, there is no need to adhere to the Protocol/enter into a Bilateral Agreement. If not, Protocol needs to be signed or enter into Bilateral Agreement.
ISDA executed on or after 25-Jan-2021	For transactions executed before the Effective Date, with an ISDA Confirmation, the respective Confirmation will have to be amended to include reference to the 2006 ISDA Definitions, as amended and supplemented from time to time.	No action required

Protocol or Bilateral Agreement is required / confirmation to be amended

Protocol or Bilateral Agreement is required for some transactions

Protocol or Bilateral Agreement is not required

39. **Where can we obtain the Alternate Reference Rates that will replace LIBOR benchmarks in respective currencies?**
The data sources for the various Alternate Reference Rates are listed below-

SOFR	**https://www.newyorkfed.org/markets/reference-rates/sofr**
SONIA	**https://www.bankofengland.co.uk/markets/sonia-benchmark**
ESTR	**https://www.ecb.europa.eu/stats/financial_markets_and_interest_rates/euro_short-term_rate/html/index.en.html**
SARON	**https://www.snb.ch/en/iabout/stat/statrep/id/current_interest_exchange_rates#t2**
TONAR	**https://www3.boj.or.jp/market/en/menu_m.htm**
SORA	**https://eservices.mas.gov.sg/statistics/dir/DomesticInterestRates.aspx**
CME Term SOFR 1M	**https://www.cmegroup.com/market-data/cme-group-benchmark-administration/term-sofr.html**

40. **What is the All- in- cost ceiling for new External Commercial Borrowings (ECB) / Trade Credits (TC) and the one-time adjustment in all-in- cost ceiling for existing ECBs and TCs?**

RBI has proposed the following changes in the All –in- cost ceiling for new ECBs and TCs vide notification RBI/2021-22 /A.P. (DIR Series) Circular No.19.

Change in all-in-cost ceiling for new ECBs/ TCs-

To take into account differences in credit risk and term premia between LIBOR and the ARRs, the all-in-cost ceiling for new FCY ECBs and TCs has been increased by 50 bps to 500 bps and 300 bps, respectively, over the benchmark rates.

One Time Adjustment in all-in-cost ceiling for existing ECBs/ TCs

To enable smooth transition of existing ECBs/ TCs linked to LIBOR whose benchmarks are changed to ARRs, the all-in cost ceiling for such ECBs/ TCs has been revised upwards by 100 basis points to 550 bps and 350 bps, respectively, over the ARR. AD Category-I banks must ensure that any such revision in ceiling is only on account of transition from LIBOR to alternative benchmarks.

41. **What benchmarks can be used for Legacy contracts in currencies other than USD?**

The following benchmarks can be used in such cases.

Currency	Benchmark	Application
GBP	GBP SONIA (O/N compounded in arrears) + ISDA Credit Adjustment Spread*	Legacy loans only
JPY	JPY SONIA (O/N compounded in arrears) + ISDA Credit Adjustment Spread*	Legacy loans only
EUR LIBOR	EUR ESTR (O/N compounded in arrears) + ISDA Credit Adjustment Spread*	Legacy loans only
CHF	CHF SARON (O/N compounded in arrears) + ISDA Credit Adjustment Spread*	Legacy loans only

*Please ensure that the facility agreement has already been amended to include the fall-back clauses.
Also please ensure that the ISDA spreads only (as mentioned in the fall-back clauses), are used to replace LIBOR.

Note that legacy contracts which reference GBP LIBOR and JPY LIBOR, may also fall-back to the synthetic LIBOR benchmarks being published for these currencies.

42. **What benchmarks are available for new loans?**
For most Standard cases, the different Alternative Reference Rates (ARRs) Benchmarks and their usage are shown in the table below.

Currency	Benchmark	Tenor	Usage*
USD	O/N SOFR	Overnight	T-5
USD	CME Term SOFR	1m, 3m, or 6m	T-2
GBP	O/N SONIA	Overnight	T-5
JPY	O/N TONAR	Overnight	T-5
CHF	O/N SARON	Overnight	T-5

EUR	O/N ESTR	Overnight	T-5
EUR	EURIBOR	1w, 1m, 3m, 6m, or 12m	T-2
SGD	O/N SORA	Overnight	T-5

*T-5 means that the rate published for the date which is 5 business days before the interest application date. There is no indication of Euribor ceasing in the foreseeable future.

At its branches within India (domestic branches), Axis Bank is currently offering working capital loans linked to term benchmarks only. At these branches, the Bank offers loans linked to TERM SOFR in USD and to fixed rate in other foreign currencies.

Besides the above, the Bank's offerings in Term Loans are available in term benchmarks as well as in O/N benchmarks, at all domestic branches. Further, the Bank offers term benchmarks and O/N benchmarks for all types of loans at its overseas branches.

The Bank will be happy to offer any support during your smooth transition away from LIBOR.

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