



IBOR transition: Private Clients FAQ

What is happening?

The IBORs – benchmarks such as LIBOR and TIBOR - are being reformed or in the case of LIBORs expected to discontinue. The reform is being undertaken to build robust, precise, independent and reputable benchmarks.

This means in practice that the existing benchmarks, known as Interbank Offered Rates (IBORs) are being replaced by new benchmarks, known as Alternative Risk Free Rates (RFRs).

The main difference between the old benchmarks and new alternatives is the adjustment of the calculation methodology. In contrast to the old calculation methodology which was based on the submitted rates of panel banks, the new risk-free interest rates are based for the most part on real market transactions.

For more information on these rates and the differences between them, please see further below.

Where is it happening?

Changes are taking place in all major economies including Germany, the US and the UK. The list can be viewed [here](#).

For more details on the changes taking place in individual countries please visit the resources section.

What is an interest rate benchmark and how does it work?

Interest rate benchmarks are used by banks and their clients to decide what the interest rate should be used in a financial product. Also known as reference rates or just benchmark rates – they are regularly updated interest rates that are publicly accessible. They provide the basis for all kinds of financial contracts such as mortgages, bank overdrafts, and other more complex financial transactions

For example: when a bank calculates what interest rate should be charged on a loan it starts with the benchmark rate on that day and then adds/subtracts an extra amount to reflect the relative risk that the loan will be repaid. The same logic applies for the calculation of an investment product's return.

For a more detailed explanation of definitions please view the glossary.

Why do we have benchmarks?

They provide a transparent reference point to banks and their clients so they can check easily that products are being priced fairly and competitively.

By having a fixed agreed benchmark that everyone agrees in and has confidence, financial transactions are easier to complete.

Why are benchmarks changing?

Financial regulators want to improve the safety, transparency and accuracy of benchmarks.

The authorities have expressed concern that the interbank lending market, which IBORs are intended to reflect, is no longer sufficiently active or liquid.



Risk Free Rates are regarded as safer, more transparent benchmarks that are based on actual transactions rather than “expert judgement”.

When is this happening and what benchmarks are affected?

The Financial Conduct Authority (FCA) has stated that GBP, EUR, JPY, CHF and one-week and two-month USD LIBORs are expected to discontinue after the end of 2021. Following a consultation carried out by the ICE Benchmark Administration (IBA) in December 2020, it is expected that other USD LIBOR settings will be discontinued at the end of June 2023. It is important to note that EURIBOR is expected to continue to be available.

Who does this impact?

As a client you will be impacted by the IBOR transition if your products are affected. All products that use IBOR benchmarks directly as a reference rate are affected, such as bonds and mortgages, or are indirectly linked to IBOR benchmarks, such as derivatives (usage of reference rates as discount curve) and funds (usage of reference rates as performance or risk benchmark).

How do I know which benchmark my product uses?

If your products are affected by the IBOR transition, we will contact you in good time with further information. Please contact your financial advisor in case of questions.

What do I need to do?

As soon as it is clear which new reference rates have definitively been adopted we will provide you with – among other things – detailed information about the methodology, terms, and transition processes if you are impacted by the change. In some cases the contract will need to be signed again.

Clients should then examine closely whether they require professional advice concerning financial, tax-related, legal or accounting issues.

Clients are also recommended to prepare internal systems, infrastructure, and procedures to handle risk free alternative rates.

Do I have to cancel my contracts with Deutsche Bank now?

As a client you don't have to cancel your affected contracts. If necessary the old reference index will be replaced by the new reference rate. In some cases the contract will need to be signed again. Please engage with your Deutsche Bank Relationship Manager to discuss this in detail.

How could the transition impact the terms of the contract for example the return I receive on an investment product or the interest rate I pay on a loan?

The bank has been making preparations so that the impact should be minimal. Most contracts already include fallback clauses in case the currently referenced benchmark cannot be used anymore.

When being informed about the alternative reference rate, you as a client should then examine closely whether you require professional advice concerning financial, tax-related, legal or accounting issues. Please contact your financial advisor if you have questions.

What is a fallback clause?



“Fallback” clauses allow the reference rate be replaced with a new specified benchmark if the original reference rate is discontinued or not available.

Some fallback clauses are highly detailed and enable the switch to take place automatically when the rate is discontinued without any additional paperwork for the parties involved.

However, other fall-back clauses do not have this detail, and may need to be rewritten to allow switching at the appropriate point.

What happens to products that are not switched over by the deadline?

This varies between jurisdictions. Please contact your financial advisor for more information.