



IBOR transition FAQs

Information relating to the transition from LIBOR and EONIA to alternative Risk Free Rates.

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Overview

What is happening?

The interest rate benchmarks LIBOR (London Interbank Offered Rate) and EONIA (Euro Overnight Index Average) are being replaced by alternative Risk Free Rates (RFRs). This is one of the biggest changes to the financial services industry in recent decades.

LIBOR and EONIA are types of Interbank Offered Rates (IBORs) and are embedded in mortgages, bonds, derivatives and other financial products. The interbank unsecured lending market that IBORs seek to represent has shrunk substantially, leading to concerns that they pose a systemic risk.

The UK's Financial Conduct Authority (FCA) confirmed on 5 March 2021 ([read the official announcement](#)) the dates that panel bank submissions for all LIBOR settings will cease, after which representative LIBOR rates will no longer be available:

- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings and
- immediately after 30 June 2023, in the case of the remaining US dollar settings.

What are Risk Free Rates?

Risk Free Rates (RFRs) are overnight rates, which can be used as alternative benchmarks for Interbank Offered Rates. RFRs have been identified because they are robust and are anchored in active, liquid underlying markets. This contrasts with the scarcity of underlying transactions in the term interbank and wholesale unsecured funding markets from which some IBORs are constructed. (For more detail on RFRs visit the [Financial Stability Board website](#))

Cash and derivatives markets will both transition to utilise RFRs as replacements for LIBOR and EONIA.

Where are benchmark changes happening?

Benchmark changes are taking place in all major economies. For more details on the changes taking place in individual countries please visit the [Resources section](#) of the Deutsche Bank IBOR transition website.



Are all benchmarks changing?

The focus of this change is on the five LIBORs (GBP, USD, EUR, JPY and CHF). GBP, EUR, JPY, CHF and one-week and two-month USD LIBORs are being discontinued immediately after 31 December 2021. EONIA will cease on 3 January 2022.

Other USD LIBOR settings are being discontinued immediately after 30 June 2023.

EURIBOR has already been subject to in-depth reforms over the last few years in order to meet the EU Benchmarks Regulation requirements, strengthening its governance framework and developing a new hybrid methodology. EURIBOR is expected to continue in the near-term, but products should include robust fallbacks in case that changes.

Many regulators are looking to either replace benchmarks in the years ahead or to move to a multi-rate system where the existing benchmark and the new benchmark can be used, particularly in Asian markets.

Why are benchmarks changing?

Since the 2008 global financial crisis there have been heightened concerns that Interbank Offered Rates (IBORs) pose a systemic risk. Banks have increased the stability of their funding and the interbank market has shrunk substantially.

Reduced interbank lending has meant that LIBOR benchmark settings are calculated on a diminishing number of underlying transactions and are therefore increasingly reliant on expert judgement.

Risk Free Rates, on the other hand, are based on actual transactions that have already happened in the overnight market, rather than on the judgement of submitters. This provides a basis for their calculation that is more reliably rooted in actual transaction data.

Who does this impact?

The transition will impact anyone with financial products linked to a LIBOR or EONIA benchmark.

What products use IBOR benchmarks?

Benchmark interest rates play a key role in financial products and contracts. Cash products (e.g. loans and bonds) and derivative products (e.g. swaps and options) may be linked to IBOR benchmarks.

For more information please get in touch with your Deutsche Bank representative.



How do I know which benchmark my product uses?

Details of the benchmark referenced and any relevant interest calculation will be detailed in your product documentation or trade confirmation.

For more information please get in touch with your Deutsche Bank representative.

The transition process

What do I need to do?

The transition is complex, market participants must clearly understand the differences between IBORS, such as LIBOR and EONIA, and alternative rates as part of transition discussions.

Actions to consider:

1. Identify your products that reference LIBOR and/or EONIA.
2. Review documentation of any products that mature after the end of 2021.
3. Determine whether your product contracts contain sufficient fallback clauses (see below).
4. Identify systems and infrastructure used that may be affected by LIBOR / EONIA cessation and consider making changes enabling them to use alternative rates.
5. Speak with your legal and financial advisors, and your Deutsche Bank representative, at an early stage to discuss if products are affected, options available and to answer any questions.

What is a fallback clause?

A fallback clause is the provision in a contract that defines the steps that should be taken if the reference rate in a transaction is no longer available. In the context of benchmark reform, fallbacks could be triggered by the cessation or loss of representativeness of IBOR benchmarks.

Fallbacks in some financial contracts have in the past been designed to deal with the temporary unavailability of a benchmark, not the permanent cessation of a benchmark. Fallbacks should be reviewed and amended to be effective for the cessation of LIBOR and EONIA.

Deutsche supports adherence to the [ISDA 2020 IBOR Fallbacks Protocol](#) (see below), which enables modern fallback provisions to be incorporated into legacy derivative contracts referencing LIBOR.

For non-derivative products, it is very likely that documentation will need to be amended to facilitate conversion to a suitable alternative.



How do I know if my product contract contains a fallback clause?

Review your product documentation and speak to your Deutsche Bank representative at the earliest opportunity to understand the choices available to you and to agree the appropriate course of action.

What is the ISDA 2020 IBOR Fallbacks Protocol?

The International Swaps and Derivatives Association (ISDA) has produced the [ISDA 2020 IBOR Fallbacks Protocol](#), which enables fallback provisions to be incorporated into legacy derivative contracts referencing LIBOR.

Deutsche Bank has adhered to this protocol and has applied it to its legacy transactions with clients. Derivative transactions entered into after 25 January 2021, which incorporate the ISDA 2006 Definitions, will include updated LIBOR fallback terms by virtue of the ISDA Benchmarks Supplement.

Deutsche Bank has also adhered to the ISDA Benchmarks Supplement Protocol, which upgrades fallbacks across different asset classes including LIBOR rates. Deutsche Bank will be happy to match with clients who also adhere to this protocol.

Visit the ISDA website for further information on the [ISDA 2020 IBOR Fallbacks Protocol](#) and talk to your Deutsche Bank representative.

What happens to products that are not transitioned to alternative rates by the deadlines?

This will depend on the fallback in the contract. In some cases, legacy fallbacks may not function and will therefore leave an unclear basis for payments to continue, and in other cases legacy fallbacks may produce an outcome that you find uncommercial.

All market participants are strongly encouraged to transition to using an alternative ahead of cessation, or to amend documentation accordingly. Speak to your Deutsche Bank representative at the earliest opportunity to understand the choices available to you and to agree the appropriate course of action.

Are there any exceptions to the LIBOR transition deadlines?

For GBP LIBOR and USD LIBOR there are a small number of exceptions to the LIBOR transition deadlines. These mainly relate to risk management of existing positions. Read the exceptions guidance for [GBP LIBOR](#) and [USD LIBOR](#).



How could the transition impact the terms of my contract? (e.g. the return I receive on an investment product or the interest rate I pay on a loan.)

The transition from LIBOR to alternative rates could impact investment returns and the cost of borrowing. Please discuss with your Deutsche Bank representative in the first instance.

Products

All products

What is Deutsche Bank's approach to new loans and derivatives business?

Following guidance from the Working Group for Sterling Risk Free Rates (RFR WG), Deutsche Bank does not expect to enter into GBP LIBOR-based linear derivatives (as of 1 April 2021) and non-linear derivatives (as of 1 July 2021), unless they mature in 2021 or are entered into for the purposes set out in the [RFR WG guidance document](#), which includes the risk management of existing positions.

As of 1 April 2021, Deutsche Bank has ceased offering loans based on GBP LIBOR that mature post 2021. The bank will now offer Sterling Overnight Index Average (SONIA) or the Bank of England's Bank Rate as alternatives to GBP LIBOR, where appropriate.

As of 1 July 2021, Deutsche Bank will cease entering into new USD LIBOR contracts as soon as practicable, and in any event by 31st December 2021, unless such transactions are for risk or default management of legacy positions (read [USD LIBOR usage exceptions](#)). The bank will offer the Secured Overnight Financing Rate (SOFR) as an alternative, wherever possible. This is in line with guidance from the Alternative Reference Rates Committee (ARRC).

From 1 April 2021, new lending contracts referencing CHF LIBOR, JPY LIBOR and USD LIBOR will include a switch (where feasible), ensuring a conversion mechanism from LIBOR to the relevant RFR upon a specified trigger or date.

I have a LIBOR-referencing loan with Deutsche Bank, what should I do?

These changes may impact the loan positions you currently hold and you should review your legal documentation. It is likely that an amendment will need to be agreed, which will determine the basis on which a switch to an alternative reference rate can be made. These changes may incorporate adjustments for credit and term differences (i.e. between the IBOR and the alternative Risk Free Rate) and the effective date of the changes.

Please speak to your Deutsche Bank representative without delay to discuss the choices available to you and the practical steps that need to be taken.



Trade Finance and Working Capital products

Deutsche Bank is in the process of reviewing all relevant client documentation related to trade finance and working capital products that contain IBOR features impacted by this change.

Your Deutsche Bank representative will contact you in advance of the relevant cessation date to arrange for amendments to be agreed, where necessary. You can also contact your Deutsche Bank representative, who is available to answer your questions and offer support.

Cash Management Services

What is changing?

Deutsche Bank is actively transitioning cash management products referencing LIBOR and EONIA to alternative reference rates. Affected clients will receive documentation from Deutsche Bank advising them of the effective date(s) of these changes. Changes will apply to the following products:

Current accounts

You will receive written notification informing you of changes to interest rate conditions.

Overdrafts

You will receive a draft amendment to your overdraft agreement, which will need to be signed and returned. Interest rate floors will still apply for negative currencies i.e. no changes to base rate set-up.

Notional pooling

If you are on TBSA (Transaction Banking Services Agreement) documentation, you will receive legal notification of the interest rate change. If you are on legacy documentation, you will receive documentation with the updated rates, which you will need to signed and return.

Cash concentration structures

For cash concentration structures where you have instructed Deutsche Bank to calculate inter-account interest, Deutsche Bank will need to be provided with updated documentation containing new inter-account interest rates that will be made effective at intervals throughout the year. LIBOR rates will continue to be available for use until the respective cessation date for the rate. If you do not provide an updated rate by the dates we will notify you of, Deutsche Bank will amend the rate to 0.00% effective 1 January 2022.



What pricing adjustments will be applied to cash management products?

With regards transition from LIBORs to alternative reference rates, Deutsche Bank will apply the Overnight Fixed Fallback Spread Adjustment for the relevant currency provided by [Bloomberg Index Services Limited](#), or provided to, and published by, authorised distributors.

In relation to the transition from EONIA to €STR, Deutsche Bank has applied a credit adjustment spread of 0.085%, determined by the European Central Bank (ECB), as a measure to compensate the economic difference between EONIA and €STR.

Deutsche Bank will round the published spread adjustments to the nearest two decimal places to clients' economic benefit in order to simplify implementation.

Derivatives products

I have a derivatives contract with Deutsche Bank. What should I do?

Please speak to your Deutsche Bank representative to discuss how this will work for your products and the practical steps that need to be taken.

What type of derivatives are impacted?

Impacted benchmarks are primarily used in linear and non-linear interest rate derivatives, but can also be used in some credit, equity and FX derivative products.

What is the process for changing existing contracts?

Banks and their clients will need to agree the basis on which the changes will take place. In some cases, the contracts for existing trades contain an agreed approach to cover the eventuality that a benchmark ceases to be available (fallback provisions).

Fallbacks are typically designed to deal with the temporary unavailability of a benchmark, not permanent cessation, and must therefore be updated. This should preferably be done by adopting the [ISDA 2020 IBOR Fallbacks Protocol](#) where applicable and use bilateral agreements for all other cases.

Regulators have stated that fallbacks should not be relied upon as the primary conversion mechanism for legacy trades. Market participants should proactively transition from legacy benchmarks to alternative Risk Free Rates wherever possible.



Further information

Please contact your Deutsche Bank representative

Deutsche Bank is ready to support with actively transitioning your contracts to alternative Risk Free Rates, updating fallbacks and answering your questions.

Please get in touch with your Deutsche Bank representative at the earliest opportunity to understand the choices available to you and to agree the appropriate course of action.

Useful resources

- Deutsche Bank IBOR transition website - <https://www.db.com/ibortransition>
- FCA and Bank of England – [Announcement on the end of LIBOR](#)
- Bank of England's RFR Working Group – [Roadmap for transition by end of 2021](#)
- ISDA website - <https://www.isda.org/>