

ICE BENCHMARK ADMINISTRATION TO PUBLISH TEST DATA FOR THE EVOLUTION OF ICE LIBOR

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LONDON--(BUSINESS WIRE)-- Intercontinental Exchange, Inc. (NYSE:ICE), a leading operator of global exchanges and clearing houses and provider of data and listings services, announces that ICE Benchmark Administration Limited (IBA) will publish data relating to a three-month testing period during which all 20 LIBOR panel banks were required to make parallel LIBOR submissions. These parallel submissions used the evolved waterfall methodology (the “waterfall methodology”) set out in the [ICE LIBOR output statement](#) (the “output statement”).

Between September 15 and December 15, 2017 (the “testing period”) IBA conducted a test during which all 20 panel banks were required to make additional LIBOR submissions using the waterfall methodology to the same production standard as, and in parallel with, their existing LIBOR submissions. IBA has calculated LIBOR¹ using submissions made under the waterfall methodology for each of the 35 LIBOR currency and tenor pairs for every applicable London business day of the testing period (the “test rates”). The calculations apply the same trimmed arithmetic mean approach used to calculate LIBOR as it is currently published.

The test rates will be published at approximately 2:00pm GMT on Saturday, March 17, 2018 on the [ICE website](#), alongside previously published LIBOR using the existing methodology for the same period.²

IBA became the administrator of LIBOR in February, 2014. Since then, IBA has invested significantly and put in place new governance, oversight, technology and controls to strengthen LIBOR. This work has been guided by the principles and recommendations put forward in [The Wheatley Review of LIBOR: final report](#) (the “Wheatley review”), the International Organization of Securities Commissions’ [Principles for Financial Benchmarks](#): (the “IOSCO principles”), and the Financial Stability Board’s paper on [Reforming Major Interest Rate Benchmarks](#)³ (the “FSB report”). Building on these developments, IBA continues to seek to evolve LIBOR so that it provides an indication of the average rate at which panel banks could obtain unsecured, wholesale funding.

Following input from the LIBOR Oversight Committee and a broad consultation with stakeholders from around the world, IBA developed the final [ICE LIBOR output statement](#), originally published in the [Roadmap for ICE LIBOR](#)⁴, guided by the recommendations in the Wheatley review, the IOSCO principles and the FSB report.

The output statement sets out a single LIBOR definition and a more standardised, transaction-data driven methodology for submissions in place of the existing [LIBOR submission question](#). Each panel bank’s submissions in response to the output statement are determined through the use of the waterfall methodology, which uses eligible transaction data where available, transaction-derived data otherwise, and, if neither is available, market data-based expert judgement. IBA’s objective in evolving LIBOR through the use of the output statement is to publish, in all market circumstances, a wholesale funding rate anchored in panel banks’ unsecured, wholesale funding transactions to the greatest extent possible.

IBA continues to work on the evolution of LIBOR, with the intention of transitioning panel banks from the existing LIBOR methodology to the waterfall methodology, subject to agreement from the LIBOR Oversight Committee, IBA approvals, other approvals and steps as necessary or appropriate, and the absence of regulatory objection. IBA expects to make a further announcement prior to commencing the transition to the waterfall methodology, if such conditions have been satisfied.

Further information about IBA and ICE LIBOR can be found on the [ICE website](#).

Annex: The LIBOR Output Statement - the Definition of LIBOR and the Waterfall Methodology

ICE LIBOR is the benchmark published under that name or as “LIBOR” and calculated by ICE Benchmark Administration Limited (IBA) on London business days.

It is a wholesale funding rate anchored in LIBOR panel banks’ unsecured wholesale transactions to the greatest extent possible, with a waterfall to enable a rate to be published in all market circumstances:

Level 1:

A volume weighted average price (VWAP) of transactions in unsecured deposits and primary issuances of commercial paper and certificates of deposit since the previous submission, with a higher weighting for transactions booked closer to 11:00 London time.

Eligible counterparties are providers of wholesale unsecured funding including:

- banks
- central banks
- governmental entities
- multilateral development banks
- non-bank financial institutions
- sovereign wealth funds
- supranationals, and
- corporations as counterparties to a bank’s funding transactions for maturities greater than 35 days.

Transactions in approved major funding centres are taken into account without price adjustment, subject to minimum transaction sizes and number of trades as specified by IBA.

Level 2:

Transaction-derived data, including time-weighted historical transactions adjusted for market movements and linear interpolation.

Level 3:

If the LIBOR panel bank has insufficient Level 1 and Level 2 transactions, it should submit the rate at which it could fund itself at 11:00 London time with reference to the unsecured wholesale funding market. In order to determine this rate the bank should follow its internally approved procedure agreed with IBA.

LIBOR is calculated as of 11.00 every London business day and normally published by IBA at 11.55 London time; it is a trimmed arithmetic mean that excludes the highest and lowest quartile of submissions. Each panel bank's submission carries an equal weight, subject to the trimming.

The panel banks' individual submissions are published by IBA after three months on a non-attributed basis.

Further details are published at www.theice.com/IBA.

IBA is authorised and regulated by the Financial Conduct Authority.

Notes to editors:

1. LIBOR is a widely used benchmark rate for short-term interest rates. It is produced for five currencies (CHF, EUR, GBP, JPY and USD) and seven maturities (Overnight/Spot Next, 1 Week, 1 Month, 2 Months, 3 Months, 6 Months and 12 Months), resulting in the publication of 35 rates every applicable London business day.
2. Used globally, LIBOR is often referenced in derivative, bond and loan documentation, and in a range of retail products such as mortgages and student loans. It is also used as an indicator of the health of the banking system and as a gauge of market expectation regarding central bank interest rates.
3. LIBOR is currently calculated and published on every London business day by IBA, using a trimmed arithmetic mean of panel bank submissions in response to the [LIBOR submission question](#).
4. Two position papers and an additional consultation have been published by IBA since 2014, together with associated feedback statements and the Roadmap for ICE LIBOR⁵, on IBA's proposals for the evolution of LIBOR. Numerous stakeholders from around the world participated in the consultation process and in bilateral meetings, roundtables and other forums.
5. IBA is a wholly owned subsidiary of Intercontinental Exchange, Inc., a leading operator of global exchanges and clearing houses and provider of data and listings services.

About Intercontinental Exchange

Intercontinental Exchange (NYSE: ICE) is a Fortune 500 and Fortune Future 50 company formed in the year 2000 to modernize markets. ICE serves customers by operating the [exchanges, clearing houses](#) and information services they rely upon to invest, trade and manage risk across global financial and commodity markets. A leader in market data, [ICE Data Services](#) serves the information and connectivity needs of the market across virtually all asset classes. As the parent company of the [New York Stock Exchange](#), the company raises more capital than any other exchange in the world, driving economic growth and transforming markets.

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SOURCE: Intercontinental Exchange

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¹ The test rates calculated using the waterfall methodology are referred to in this press release as LIBOR for convenience, even though they are not calculated and published as LIBOR by reference to the existing LIBOR submission question. The test submissions used to calculate the test rates are similarly referred to as LIBOR submissions.

² The test rates are historical, relate to a three-month testing period and will be provided for information purposes only. Historical data may not be indicative of future data, and none of the data is intended to constitute any invitation or inducement to engage in any investment activity. Neither IBA, ICE nor any of its or their affiliates will be liable to any person in connection with this data.

³ The Financial Stability Board published a [progress report](#) in relation to the implementation of the recommendations in the FSB Report in October, 2017.

⁴ The output statement was initially published as part of the Roadmap for ICE LIBOR. It was updated pursuant to a [subsequent consultation paper](#). The final output statement was published as part of the [feedback to this consultation](#) and is set out in the annex to this press release.

⁵ [Consultations and Roadmap](#)

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