MPG Corporate Outreach - Interest Rate Benchmarks

1. Section A: Corporate Respondent classification

This questionnaire is intended for use by corporate (non-financial) end users of the Libor, Euribor and Tibor family of interest rate benchmarks. The closing date for responses is Friday 31 January 2014.

The Financial Stability Board (FSB) has been tasked by the G20 to promote consistency in standards of governance, transparency and reliability to which widely-used financial benchmarks should be held. To advance this work, the FSB has established a high-level Official Sector Steering Group (OSSG) of regulators and central banks. The OSSG has in turn established the “Market Participants Group on Reforming Interest Rate Benchmarks” (MPG). The terms of reference for the group fall into two main areas:

a. Proposing options for robust reference interest rates that could serve as potential alternatives to the most widely-used, existing benchmark rates.
b. Proposing strategies for any potential transition to new reference rates and for dealing with legacy contracts in the national or regional currency.

The MPG has been asked to provide its final report to the OSSG by March 2014. The report will cover interest rate benchmarks in five major currencies: USD, EUR, GBP, CHF and JPY.

The focus will be on LIBOR, EURIBOR and TIBOR rates - collectively referred to as “IBOR” in this report.

The purpose of this questionnaire is to ensure that the views and concerns of non-financial corporate end-users of the relevant interest rate benchmarks are being addressed.

We estimate that this questionnaire will take approximately one hour to be completed.

This questionnaire is just one of the inputs to the MPG’s study. No inferences should be drawn from this document as to the likely outcomes of the MPG’s final report. All data collected will be aggregated, with nothing attributable to any individual or company and will not be used for any other purpose. The Confederation of British Industry (CBI) and consulting firm Oliver Wyman are acting as administrators of this survey and will collate the findings and provide these to the MPG.

Respondent details and individual responses will be treated as confidential.

For more information about these efforts and the membership of the OSSG and MPG, please see here.

The majority of questions are optional, except a small number in sections A & B which are compulsory (and are marked with a *). Please note that you cannot proceed to the next page of the online survey without answering the compulsory questions.

For your ease of reference a pdf version of this questionnaire can be downloaded by clicking here.

However, please ensure that you submit your response through the online survey.

The questionnaire has the following structure:
SECTION A: Respondent classification
SECTION B: Market Footprint
SECTION C: Reference rate reform scenarios
SECTION D: Transition scenarios
SECTION E: Other Considerations

1. Name of Company/Organization

2. Name of Respondent

3. Contact e-mail address

*4. Please name the association who sent you this survey

Association

Other (please specify)

*5. I am replying on behalf of a:

(note: for future questions, this organization will be referred to as your “company”)

- ◯ Parent / Holding company /Group
- ◯ Subsidiary of a parent or holding company
- ◯ Corporate treasury centre
- ◯ Industry Association
- ◯ Private Individual
- ◯ Other (please specify)

Other (please specify)

*6. What sector does your company operate in?

Sector

Not applicable/Other (please specify)

*7. What is your company’s annual turnover?

- ◯ USD 50BN+
- ◯ USD 10BN-50BN
- ◯ USD 1BN-10BN
- ◯ USD 100MM-1BN
- ◯ USD 100MM
- ◯ USD 25MM or less
- ◯ Not Applicable

***8. Which of these reference currencies does your company use for financial transactions?**
(please rank the currencies in order of materiality, where 1 is most material and 6 is least material.) (Please note that the currencies will shift to the order you input)

☐	USD	☐ Not applicable
☐	EUR	☐ Not applicable
☐	GBP	☐ Not applicable
☐	CHF	☐ Not applicable
☐	JPY	☐ Not applicable
☐	Other	☐ Not applicable

9. If selecting "other" on the above question, please specify which

Currency ☐

Other (please specify)

***10. Later sections of this questionnaire will present some scenarios for possible changes to IBOR reference rates. Potentially such changes could have tax and/or contractual implications for some respondents. To help us to identify those countries that are relevant for your own responses, please indicate here the main legal and/or fiscal jurisdictions where a change to IBOR reference rates may have a material impact for your company?**
(Please select only the countries in which you may have a significant exposure to changes in IBOR reference rates)

- [ ] Argentina
- [ ] Australia
- [ ] Austria
- [ ] Belgium
- [ ] Bermuda
- [ ] Brazil
- [ ] Canada
- [ ] Carribean Islands excluding Bermuda
- [ ] Chile
- [ ] China
- [ ] Colombia
- [ ] Croatia
- [ ] Cyprus
- [ ] Czech Republic
- [ ] Denmark
- [ ] Egypt
- [ ] Finland
- [ ] France
- [ ] Germany
- [ ] Greece
- [ ] Hong Kong
- [ ] Hungary
- [ ] India
- [ ] Indonesia
- [ ] Ireland
- [ ] Israel
- [ ] Ivory Coast
- [ ]

- [ ] Italy
- [ ] Japan
- [ ] Luxembourg
- [ ] Malaysia
- [ ] Mexico
- [ ] Morocco
- [ ] Netherlands
- [ ] New Zealand
- [ ] Nigeria
- [ ] Norway
- [ ] Pakistan
- [ ] Peru
- [ ] Philippines
- [ ] Poland
- [ ] Portugal
- [ ] Russia
- [ ] Saudi Arabia
- [ ] Singapore
- [ ] Slovakia
- [ ] Slovenia
- [ ] South Africa
- [ ] South Korea
- [ ] Spain
- [ ] Sweden
- [ ] Switzerland
- [ ] Thailand
- [ ] Turkey
- [ ] UK Channel Islands/Isle of Man
- [ ] United Arab Emirates
- [ ] United Kingdom
- [ ] United States
- [ ] Venezuela
- [ ] Other

Other (please specify)

2. Section B: Market Footprint

Libor, Euribor and Tibor (collectively referred to as 'IBOR') are widely used as benchmarks for both debt ('Cash') and derivative markets. The MPG is cataloguing the classes and types of financial instruments that currently reference these benchmarks and the tenors most commonly used. This information is intended to inform the MPG in its work to identify alternative reference rates and to design transition strategies.

• Libor is the predominant interbank interest rate benchmark for USD, GBP, CHF and JPY, although for JPY contracts, Tibor is also widely used. For Euro, Euribor is significantly more commonly used than Euro-Libor.
• The largest classes of contracts referencing IBOR are Over-the-Counter (OTC) and exchange traded derivatives, including Interest Rate Futures, Options and Swaps, FRAs and Cross-currency swaps.
• A large proportion of syndicated loans and Floating rate bonds and notes across the 5 currencies reference IBOR (as much as 90% in some jurisdictions). Bilateral corporate loans also commonly reference IBOR.
• A large volume of securitized products, including Retail and Commercial Mortgage Backed Securities (RMBS, CMBS), Asset Backed Securities (ABS) and Collateralised Debt Obligations (CDO) are linked to USD-Libor and GBP-Libor and Euribor. Volumes of securitised products referencing other IBOR rates are limited.
• In a number of jurisdiction (e.g., in the US and some European countries), a significant volume of Retail mortgages are linked to Libor/Euribor. Other retail financial contracts do not commonly reference IBOR.
• A limited volume of retail and corporate deposits are linked to IBOR.

The IBOR tenors most commonly used vary by currency and asset class:

• In USD, 3-month and 1-month are the most commonly referenced tenors across all product groups, with 6-month used across a subset of products and the 12-month tenor used only in a limited number of cases. Other USD-LIBOR tenors are rarely used.
• GBP contracts are most commonly linked to 3-month Libor, with some contracts referencing 1-month and 6-month Libor and other tenors rarely used.
• The use of Euribor tenors varies by jurisdiction and contract type. 1-month, 3-month and 6-month are used across a wide range of products. 12-month is used for a small subset of products, notably for retail mortgages in some EU countries.
• For JPY-Libor and CHF-Libor, the 3-month and 6-month tenors are used across a wide range of contract types. Other tenors are not commonly used.
• For Tibor, the 6-month and 3-month tenors are most commonly used, some loans are linked to 1-month Tibor and other tenors are not commonly used.

The MPG notes that non-financial corporates have a range of other important applications for IBOR reference rates, and that these applications may be affected by any change to reference interest rates.

1. Does your company use IBOR reference rates or instruments referring to IBOR reference rates for any of the following?
(Please select all that apply)

- [ ] Late payment clauses in commercial contracts
- [ ] Standard interest rates for pricing long-term commercial contracts
- [ ] Discount rates for valuation purposes
- [ ] Pricing of intra-group loans
- [ ] Hedging of discount rates and/or inflation in respect of defined benefit pension liabilities or other post employment liabilities.
- [ ] Performance benchmark for money market funds and/or other asset managers
- [ ] Long term project finance contracts / joint ventures
- [ ] Trade Financing Solutions (e.g. factoring)
- [ ] Hedging the variable interest rate on a floating-rate debt obligation by "swapping" to a fixed rate using an interest rate derivative
- [ ] Swapping a debt obligation in one currency to another currency using a cross-currency swap that involves an IBOR

Please provide additional detail for the options you have selected, if possible

***2. Does your company have any other significant uses of or exposures to IBOR (which have not been considered in the above analysis)?**

- No
- Yes
- I cannot answer this question at the present time

If yes, please provide as much detail as possible about the other significant exposures

3. Please indicate your agreement with the following statement:
"I am confident that my company can identify all its (significant) applications that reference IBOR rates."

- Strongly Agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly Disagree
- Not Applicable - no exposures to IBOR

4. What is the size of your company's main committed credit agreement?

- Not applicable
- < USD 10 Million
- USD 10 - 99 Million
- USD 100 - 999 Million
- USD 1 - 5 Billion
- > USD 5 Billion

5. Please provide information regarding your company's main committed credit agreement - what is the period for which the agreed credit facility is available?

- 1 Month or less
- 3 Months
- 6 Months
- 12 Months (1 year)
- >1 year and ≤3 years
- 3 years and ≤5 years
- > 5 years
- Not applicable

6. How many banks participate in your company's main committed credit agreement?

- Not Applicable
- 1
- 2-5
- 6-10
- 11-15
- 16-25
- > 25

7. Do you require banks providing committed credit to your company to maintain a minimum credit rating and, if so, what is it?

- No minimum credit rating
- BBB/Baa2
- BBB+/Baa1
- A-/A3
- A/A2
- A+/A1 or higher

8. Please provide information regarding the terms of your company's main committed credit agreement - Largest or functional currency:

- ◯ USD
- ◯ EUR
- ◯ GBP
- ◯ CHF
- ◯ JPY
- ◯ Multi-currency
- ◯ Other

Other (please specify)

9. Please provide information regarding the terms of your company's main committed credit agreement - What is the reference Rate (e.g. Euribor):

- ☐ USD LIBOR
- ☐ EURIBOR
- ☐ EUR LIBOR
- ☐ EONIA
- ☐ GBP LIBOR
- ☐ SONIA
- ☐ CHF LIBOR
- ☐ JPY LIBOR
- ☐ Other IBOR rate
- ☐ Base rate
- ☐ Treasury bill rate
- ☐ Bank prime rate
- ☐ Bank deposit rate
- ☐ Bank bill rate
- ☐ Swap rate
- ☐ Corporate Deposit (CD) rate
- ☐ Commercial Papers (CP) rate
- ☐ Fed Funds Effective Rate (FFER)
- ☐ Other

Other (please specify)

10. Please provide information regarding the terms of your company's main committed credit agreement – What is the Tenor for the reference rate selected in the previous question (please choose the closest option or, if applicable, all that are likely to apply)."

- [ ] Daily/overnight
- [ ] 1 week
- [ ] 1 Month
- [ ] 3 Months
- [ ] 6 Months
- [ ] 12 Months (1 year)
- [ ] >1 year

3. Section C: Reference rate reform scenarios

The OSSG has asked the MPG to propose reference rate menus that would adhere to the IOSCO (International Organization of Securities Commissions) Principles for Financial Benchmarks (See IOSCO Principles here)

Key elements considered by MPG for IOSCO compliance include:
• Rates should be based on prices formed by competitive supply and demand and anchored in observable transactions (Principles 6, 7).
• Rates could be based on executable bids and offers (Principle 7).
• Expert judgment can be used, but in such cases a hierarchy of data inputs, for example from transactions or quotes, and the role of expert judgment must be clear and transparent (Principle 8).

In this questionnaire we present three potential IOSCO compliant reference rates:
1. Transaction-based IBOR ("IBOR+")
2. Overnight Index Swaps (OIS)
3. T-Bills (where available)

When proposing a reference rate, the MPG will consider the feasibility of fixing an IOSCO compliant rate and whether the rate is likely to be useful to market participants. As different reference rates may be more appropriate for different users, contracts and jurisdictions, the final report might propose more than one reference rate.

1. Transaction-based IBOR ("IBOR+") IBOR+, if chosen, could be an estimate of interbank borrowing rates that are based on transactions from a broader set of financial instruments that banks use to obtain unsecured financing, and not restricted to interbank loans.

- IBOR+, would be intended to represent rates comparable to existing IBOR rates, encompassing bank term credit and liquidity premiums.
- Due to its transaction based fixing, IBOR+ would be expected to be more volatile than IBOR. Some of this volatility may be mitigated by use of smoothing methods, such as reliance on moving averages of lagged transactions.
- Depending on the availability of data it may not be possible to fix IBOR+ rates at tenors of 6 months or longer.

2. Overnight Index Swaps (OIS) OIS are over-the-counter (OTC) derivative contracts in which one counterparty pays a negotiated fixed rate in exchange for the rate computed by compounding a reference overnight rate each night over the reference period (the reference overnight rate for USD is Federal Funds Effective rate - FFER, which is the interest rate at which depository institutions actively trade balances held at the US Federal Reserve and is published daily as an index by the US Federal Reserve).

- The OIS rates could, if chosen as benchmarks, be fixed as reference rates based on executable quotes on recognised Swap Execution Facilities (SEFs) or on executed transactions from swap data repositories.
- OIS are collateralised on a daily basis and do not incorporate a term credit premium.

The active markets in OIS could offer robust fixings for 1-, 3-, 6- and 12 month tenors. Back-up fixing methodologies could be set in case of insufficient market volumes.

3. Treasury bill (T-bill) rates (for USD, CHF, JPY) Treasury bill rates, if chosen as benchmark rates, would be fixed as the money market interest rates associated with secondary market transactions in T-bills. These rates are currently fixed and reported daily by treasury departments at tenors up to 1 year. T-bill rates are already commonly used for certain financial contracts, e.g., ARMs in the US. T-bill rates do not incorporate bank term credit premiums.

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1. Which of the following characteristics of reference rates are important to your company?

	Low importance	Medium importance	High importance
Exclusively transaction based	◯	◯	◯
Transaction based but with role for judgment where markets are thin or volatile	◯	◯	◯
Transparent	◯	◯	◯
Administered by a public body	◯	◯	◯
Supervised/regulated by a public body	◯	◯	◯
Large number of contributors	◯	◯	◯
Only high credit quality contributors	◯	◯	◯
Published in real-time (i.e. daily, not a running average)	◯	◯	◯
Always available even in turbulent markets	◯	◯	◯
Availability of 6-month tenor	◯	◯	◯
Availability of 12-month tenor	◯	◯	◯
Represents an unsecured interbank rate	◯	◯	◯
Continuity of references that are specified in existing commercial contracts	◯	◯	◯
Other (please specify)	◯	◯	◯

If choosing "Other" please specify and/or please provide any additional information relating to your ratings of the characteristics of reference rates

2. Assume a hypothetical scenario where your company is mandated to transition from IBOR reference rates to a benchmark rate that is based on transactions.

If IBOR+ had a significantly different value to IBOR (e.g. systematically >5bp higher or lower), would your company elect to transition to IBOR+ or to an alternative rate? (IBOR+ is explained in the introduction to this section)

- Definitely transition to IBOR+
- Probably transition to IBOR+
- Undecided
- Probably transition to a different rate other than IBOR+
- Definitely transition to a different rate other than IBOR+

Please provide additional details as to why you have chosen your particular option

3. If you answered above that you were 'undecided' or that you would probably or definitely transition to a rate other than IBOR+, then please answer the following question:

In a scenario where IBOR+ was systematically >5bp higher or lower but where bank spreads would be adjusted to compensate for this difference, such that there was no significant change to your actual cost of borrowing, then (in this scenario) would you probably or definitely transition to IBOR+?

- No
- Undecided
- Yes

4. If IBOR+ was significantly more volatile than IBOR, would your company transition to IBOR+ or to an alternative reference rate?

- ○ Definitely transition to IBOR+
- ○ Probably transition to IBOR+
- ○ Undecided
- ○ Probably transition to a different rate other than IBOR+
- ○ Definitely transition to a different rate other than IBOR+

Please provide additional details as to why you have chosen your particular option

5. Looking at your company's current usage of IBOR, to what extent do you explicitly require a rate that encompasses bank term credit and liquidity premiums?

- ☐ We need a rate with credit and liquidity premiums for our internal purposes
- ☐ We are likely to prefer a rate with bank credit and liquidity premiums to avoid a reduction in the supply of bank credit
- ☐ We would prefer a rate with bank credit and liquidity premiums to avoid higher all-in costs of funding due to banks pricing in their additional basis risk
- ☐ We don't require a rate which encompasses these premiums. In fact, if the market shifted to using a rate without these premiums we would also shift accordingly
- ☐ Other

Other (please specify)

6. If it is not possible to fix robust 6-month and 12-month IBOR+ rates, then... Would this adversely affect your company?

- ○ Yes
- ○ Not sure of potential impact
- ○ No
- ○ Not applicable (we do not use rates >3M)

7. If it is not possible to fix robust 6-month and 12-month IBOR+ rates, then... What would be your preferred alternative rate in this case?

	First choice	Second choice	Third choice	Fourth choice
1w to 3m IBOR+	◯	◯	◯	◯
6m or 12m OIS	◯	◯	◯	◯
6m or 12m T-Bills	◯	◯	◯	◯
Other (please specify below)	◯	◯	◯	◯

Please specify "Other" and/or provide additional details as to why you have ranked the options in this way

8. If no IOSCO compliant IBOR+ can be fixed, what other reference rate would you choose to transition to?

	First choice	Second choice	Third choice
OIS	◯	◯	◯
T-Bills	◯	◯	◯
Other alternatives (please specify below)	◯	◯	◯

Please specify "Other" and/or provide additional details as to why you have ranked the options in this way

9. If 6month or 12month rates were not available, then would you transition to 3month rates?

- ◯ Yes
- ◯ Undecided
- ◯ No

10. Does your company have a standard fallback reference rate within its contracts for a case where an IBOR rate become unavailable?

- ◯ No
- ◯ Not sure
- ◯ In the majority of contracts
- ◯ Yes

If you answered "In the majority of contracts" or "yes" please describe the nature of the fall-back clause

4. Section D: Transition scenarios

This section seeks opinions on various hypothetical scenarios of a transition away from IBOR. This is for the purpose of understanding how companies might react to such a situation but should not be taken to imply that it will necessarily occur.

In this questionnaire we present three potential Transition options:
1. Hard cut-over
2. Cut-over after a transition period
3. Voluntary market-led transition

More than one of these transition options may be pursued in parallel for different proposed rates. e.g., it may be preferable to enforce a hard cut-over from IBOR to IBOR+ with or without a parallel-run transition period while encouraging a market led transition to OIS or T-bill reference rates wherever these are preferred.

1. Hard cut-over – Terminate IBOR after a notice period and transition all outstanding contracts to the new reference rate.

- Transition would be formulaic, for example by replacing legacy LIBOR with a new “LIBOR+” plus X% spread or OIS + Y% spread.
- The benchmark administrator would aim to align IBOR and the new reference rate fixings as closely as possible, or at least ensure any basis is readily understood and predictable.
- Legislative provisions may be required to protect against contract frustration

2. Cut-over after a transition period – Launch new reference rate and run in parallel to IBOR rates for a transition period. Discontinue the IBOR rates after the transition period.

- The official sector would communicate a clear timeline for the transition.
- An extended parallel run prior to a market-wide protocol would allow for a majority of outstanding IBOR related contract to roll off and for many longer dated contracts to be renegotiated.

3. Market led transition – Launch new reference rate while retaining the relevant IBOR rates, allow market to determine the pace of transition, with no mandatory cut-over.

- Transition to the new reference rate will not be imposed by regulators, but rather adopted and led by active markets participants.
- Given sufficient liquidity in the market, it should be possible voluntarily to transition the majority of contracts (including legacy contracts) to the new rate
- A number of initiatives may be put in place to encourage transition
- The design and implementation of compression and conversion cycles designed to convert legacy portfolios to the new rate en masse.
- An auction process whereby active derivatives market participants would agree to convert submitted portfolios at a basis curve established via auction.
- The development of OIS trading on electronic platforms.
- The official sector could agree a timeline for explicit conversion targets with dealers and other major market participants who are willing to take part.

1. What notice period would be sufficient before implementing a hard cut-over to IBOR+ or another alternative?
(please select one)

- ◯ < 12m
- ◯ 12m
- ◯ 18m
- ◯ 2 years
- ◯ 3 years
- ◯ 5 years
- ◯ 7 years
- ◯ > 7 years (please specify below)
- ◯ Don't know

If more than 7 years, please specify here

2. An alternative scenario is the introduction of new reference rates in parallel to existing IBOR rates. In your view, what would constitute a sufficient period of time to allow for legacy IBOR contracts to run off or be renegotiated before the termination of IBOR?
(please select one)

- ◯ < 5 years
- ◯ 5 years
- ◯ 7 years
- ◯ 10 years
- ◯ 30 years
- ◯ > 30 years (please specify below)
- ◯ Don't know

If more than 30 years, please specify here

3. Please detail any scenarios that your company may experience where the transition to the new reference rate framework would not be possible.

4. Which of the following potential regulatory capital, accounting and tax issues are relevant to your company?
In each instance, would this issue discourage your company from transitioning to the new reference rate framework? (Assuming that transitioning is optional)
(Please choose one box for each statement a-f below)

	Issue would discourage my company from transitioning	I am uncertain about the potential impact of this issue	Issue would not discourage my company from transitioning	Issue is not applicable
A. Changing of the reference rate may be seen by fiscal authorities as a taxable gain/loss	○	○	○	○
B. Changing of the reference rate may invalidate my company's hedge accounting	○	○	○	○
C. Changing of the reference rate may invalidate my legal contracts	○	○	○	○
D. Changing the reference rate may invoke loan repayment clauses or force me to re-negotiate my loans or other bank facilities	○	○	○	○
E. Changing the reference rate may adversely impact a pension arrangement that is sponsored by my company	○	○	○	○
F. Other (please specify below)	○	○	○	○

Please specify "Other"

5. Please suggest any mitigating actions for the issues detailed in question D4 above.

A

B

C

D

E

F

6. Please detail any policies and initiatives, other than those listed above, that could be put in place to minimize market disruptions at the time of transition.

7. Please provide any other remarks regarding the questions in this section.

5. Section E: Other Considerations

1. Please state any significant considerations or questions regarding the reform of interest rate benchmarks that have not been covered elsewhere in this questionnaire?

2. Do you have any significant negative / unfavorable observations?

3. Do you have any significant positive / favorable observations?

4. Do you have any recommendations or proposals regarding the reform of interest rate benchmarks?

***5. Are you ready to submit your final answers to this survey?**
If not, please use the "Prev" button to amend your previous responses. If yes, please confirm below and then click "Done" to submit.

◯ Yes