Consultation on proposed amendments to the methodology of certain Credit Suisse International indices in connection with LIBOR discontinuation

LIBOR Replacement Consultation #11: FX Indices

This document is addressed to relevant users and stakeholders and is published by Credit Suisse International (“CSI”) as the administrator of the CSI indices listed in Schedule 1 (the “Benchmarks”).

In light of the upcoming discontinuation of the London Inter-bank Offered Rate (“LIBOR”) as further described in “Background to the Consultation” below, and since the methodology of the Benchmarks currently incorporates references to LIBOR, CSI, acting through its Benchmark Governance Committee, is consulting on its proposed amendments to the methodology of the Benchmarks (the “Consultation”).

The aim of this Consultation is to provide users and stakeholders with: (i) applicable background; (ii) clear information on the proposed amendments; and (iii) practical information on responding to the Consultation and next steps.

If you do not understand the contents of this notice or are unsure how this affects you, you should consult an appropriate professional adviser.

Background to the Consultation

LIBOR is the benchmark of the interest rates at which major banks lend to each other in the interbank market. It is published in five currencies (US Dollar, Euro, British Pound, Japanese Yen, and Swiss Franc), administered by ICE Benchmark Administration Limited and regulated by the UK’s Financial Conduct Authority (“FCA”).

On 5 March 2021, the FCA published an announcement on the future cessation or loss of representativeness of the LIBORs¹, confirming that:

- publication of all tenors of euro LIBOR, Swiss franc LIBOR, Japanese yen LIBOR, Sterling LIBOR, and the 1-week and 2-month USD LIBOR tenors would cease to be provided or would no longer be representative immediately after 31 December 2021; and
- publication of all other USD LIBOR tenors would cease to be provided or would no longer be representative immediately after 30 June 2023.

In response to the Financial Stability Board recommendation of the development and adoption of alternative nearly risk-free rates, the following alternatives have been proposed:

<table>
<thead>
<tr>
<th>LIBOR Currency</th>
<th>Proposed Replacement Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>Secured Overnight Financing Rate (“SOFR”)</td>
</tr>
<tr>
<td>GBP</td>
<td>Sterling Overnight Index Average (“SONIA”)</td>
</tr>
<tr>
<td>EUR</td>
<td>Euro Short-Term Rate (“€STR”)</td>
</tr>
<tr>
<td>CHF</td>
<td>Swiss Average Rate Overnight (“SARON”)</td>
</tr>
<tr>
<td>JPY</td>
<td>Tokyo Overnight Average Rate (“TONAR”)</td>
</tr>
</tbody>
</table>

Where changing from a term reference rate to an overnight reference rate would have an impact on an instrument referencing such rate, a spread may be applied to address such impact. In the case of LIBORs, the International Swaps and Derivatives Association, Inc ("ISDA") has applied spreads in the LIBOR fallbacks contained in the 2006 ISDA Definitions, calculated using a historical median approach over a five-year lookback period from the date of an announcement on cessation or non-representativeness, and incorporate differences in tenor, credit risk premium and other factors.

**Proposed amendments to the methodology of the Benchmarks**

In the context of the above, CSI, as administrator of each of the Benchmarks proposes the following amendments. The purpose of these amendments is to replace Benchmark inputs which are based on LIBOR with suitable alternative inputs.

**Change in reference rates used in the Credit Suisse Index Framework - OTC FX Markets Core Index Methodology**

Table E.1 contained in Appendix E to the Credit Suisse Index Framework - OTC FX Markets Core Index Methodology specifies the reference rates used in the calculation of the formula-based discount rates used to determine the value of FX forward returns in the certain of the Benchmark calculations.

It is proposed that the Credit Suisse Index Framework - OTC FX Markets Core Index Methodology will be amended such that, with effect from the Index Rebalancing Date of the Benchmarks falling in December 2021 Table E.1 in Appendix E will be replaced with the following:

<table>
<thead>
<tr>
<th>Rate</th>
<th>Tenor</th>
<th>Source/Reuters RIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>The par rate for 1-day SOFR Interest Rate Swap</td>
<td>1 Day</td>
<td>Reuters page USDSROIS=TRDL at 11am NY time</td>
</tr>
<tr>
<td>The par rate for 1-month SOFR Interest Rate Swap</td>
<td>1 Month</td>
<td>Reuters page USDSROIS=TRDL at 11am NY time</td>
</tr>
<tr>
<td>The par rate for 2-months SOFR Interest Rate Swap</td>
<td>2 Months</td>
<td>Reuters page USDSROIS=TRDL at 11am NY time</td>
</tr>
</tbody>
</table>

**Consultation process**

In order to take into account the views of users and stakeholders, CSI, as administrator of each of the Benchmarks, is conducting this Consultation on the proposed amendments. The Consultation opens on Wednesday 27 October 2021 and will run until close of business in New York on Tuesday 30 November 2021 (the “Consultation Period”).

Within the Consultation Period, users and stakeholders are invited to send any feedback or comments on this Consultation to: list.qis-consultation@credit-suisse.com.


**Exiting positions or products prior to the implementation of any amendments**

Users or stakeholders who wish to exit a position or product referencing a Benchmark prior to the implementation of any amendments should contact CSI via their usual contact or via email addressed to list.qis-consultation@credit-suisse.com.
## SCHEDULE 1

**IMPACTED BENCHMARKS AND TICKERS**

<table>
<thead>
<tr>
<th>Index Name</th>
<th>Bloomberg Ticker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Suisse Rolling FX Forward RUB 1M Index</td>
<td>FXFTRUBU</td>
</tr>
<tr>
<td>Credit Suisse Rolling FX Forward TRY 1M Index</td>
<td>FXFTTRYU</td>
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<tr>
<td>Credit Suisse Rolling FX Forward CNH 1M Index</td>
<td>FXFTCNHU</td>
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<tr>
<td>Credit Suisse Rolling FX Forward BRL 1M Index</td>
<td>FXFTBRLU</td>
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<td>Credit Suisse Rolling FX Forward CLP 1M Index</td>
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<tr>
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<td>Credit Suisse FX EM 2 Excess Return Index</td>
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