

16 November 2022



## Citi LIBOR Transition Update – Transitioning away from LIBOR linked Notes

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Dear Noteholder,

This notice is relevant to you as a holder of one or more of the Notes linked to the USD LIBOR ICE Swap Rate (sometimes referred to as the USD LIBOR CMS (constant maturity swap) rate, the "**USD LIBOR CMS Rate**") listed in **Annex A** to this notice (the "**Notes**").

As you may know, on 5 March 2021, the UK Financial Conduct Authority (the "**FCA**"), announced that all LIBOR settings will either cease or no longer be representative after **30 June 2023** (the "**Cessation Date**"). It is therefore likely that there will be no available data that can be used to compute and publish the USD LIBOR CMS Rate after the Cessation Date. ICE Benchmark Administration ("**IBA**"), who determines and publishes the USD LIBOR CMS Rate, is currently consulting on its intention to cease the publication of all USD LIBOR CMS Rate settings after the Cessation Date.

Unless appropriate modifications are made to the Notes, the cessation of the USD LIBOR CMS Rate could have unexpected and/or negative consequences for you and the payments made under your Notes, including but not limited to uncertainty regarding how interest or redemption payments are calculated or the risk that the Notes do not operate as originally intended. Accordingly, in anticipation of the Cessation Date, Citi as the determining agent in respect of the Notes proposes to modify all the Notes using its existing powers under the contractual terms of the Notes to apply an alternative replacement rate that reflects the rate recommended by various industry bodies in the derivatives market, as described further below. Citi is also willing to consider alternative remediation solutions such as repurchasing the Notes (see section 3 (*Selling your Notes back to Citi*)) below. Please contact Citi using the details below if you would like to discuss alternative approaches.

**Section 1** below provides further details on the proposed approach to modifying the Notes.

**Section 2** below outlines the next steps holders are encouraged to take.

### 1. The proposal

*What is the process for modifying the Notes?*

As the determining agent in respect of the Notes, Citi will become entitled, prior to or immediately after the Cessation Date, to replace the USD LIBOR CMS Rate with an alternative rate which will be applied after the Cessation Date.

*What will the alternative replacement rate be?*

Citi proposes to follow the approach adopted by the International Swaps and Derivatives Association ("**ISDA**") for the swaps market and replace the USD LIBOR CMS Rate with the 'Published USD ISR Fallback Rate'. Broadly, the formula for this fallback rate consists of using the USD SOFR ICE Swap Rate ("**SOFR ISR**"), adding the ISDA fallback spread adjustment and applying technical adjustments to account for differences in payment frequency and day count conventions between USD LIBOR swaps and SOFR swaps.

Please refer to **Annex B** for further details.

### 2. Next steps

Whatever alternative rate is applied to the Notes will differ from USD LIBOR CMS Rate and may therefore impact the payments you receive under the Notes. Holders (and, as the case may be, any beneficial owners of the Notes) are encouraged to review the proposal above and to consider any impact for your Notes, using independent professional advisors (financial, tax, accounting, legal or other) as you consider necessary.

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### 3. Selling your Notes back to Citi

As an alternative to the proposal described above, if you wish to discuss selling your Notes back to Citi prior to the Cessation Date, please contact your usual distributor contact or Citi at [iborq@citi.com](mailto:iborq@citi.com). The price at which Citi will purchase any Notes will be determined by Citi in its sole discretion at the relevant time.

### 4. Questions

In the event that you have questions about LIBOR transition and the related processes, a list of FAQs and our responses can be found [here](#)<sup>1</sup>. You can also refer to **Annex C** to this notice for more background on the cessation of USD LIBOR and the USD LIBOR CMS Rate. However, please do not hesitate to contact your usual distributor contact or Citi at [iborq@citi.com](mailto:iborq@citi.com) if you have any questions about anything in this notice.

Yours sincerely,

Citi IBOR Transition Team

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<sup>1</sup> [https://www.citivelocity.com/cv-content-web/storage/akpublic/eppublic/file/MSS\\_IBOR\\_Transition\\_FAQ.pdf](https://www.citivelocity.com/cv-content-web/storage/akpublic/eppublic/file/MSS_IBOR_Transition_FAQ.pdf)

**ANNEX A**

## Affected ISINs

XS2420230489	XS2294002584	XS2216788344
XS2216781844	XS2304975670	XS2162973189
XS2366321300	XS2307420906	XS2216782495
XS2350710880	XS2216762034	XS1980760828
XS2338430759	XS1882601799	XS2044950504
XS2360416973	XS2044984404	XS2191218226
XS2216767348	XS2216767181	XS2216939491
XS2307399357	XS1882603902	XS2183870125
XS2307415575	XS1980747726	XS2133028923
XS2307371182	XS1980744541	XS2147084771
XS2307402755	XS2045092397	XS2284510968
XS2307378609	XS2304915775	XS1980017161
XS2216748553	XS2044982531	XS2060714271
XS2216752316	XS2106682094	XS2294025288
XS2216755509	XS2163008589	XS2293957770
XS2307428800	XS2162974740	XS2165923876
XS2307410345	XS2162982685	XS2284492704
XS2307365457	XS1882593756	XS2121385509
XS2307360573	XS1882572750	XS2133048954
XS2216751185	XS1980794561	XS2137906504
XS2216774393	XS2044952039	XS2277049933
XS2372630140	XS2216782735	XS2137899022
XS2216762380	XS2162986249	XS2137889577
XS2310710087	XS2216796016	XS2198456266

## ANNEX B

**The alternative rate – more detail**

Citi's proposal is to follow the approach adopted under ISDA's Supplement 88 and replace the USD LIBOR CMS Rate with the 'Published USD ISR Fallback Rate', or alternatively the 'Calculated USD ISR Fallback Rate', each as described below. If you would like to request a copy of ISDA's Supplement 88, please contact Citi using the details above.

*Published USD ISR Fallback Rate:*

The 'Published USD ISR Fallback Rate' will be calculated based on (i) the SOFR ISR for the relevant tenor of the USD LIBOR CMS Rate referenced in the Notes or the 'Designated Maturity', (ii) the fixed spread adjustment published by Bloomberg Index Services Limited in the applicable tenor, and (iii) certain convexity adjustments to compensate for the varying payment frequencies between the fixed and floating legs of the USD LIBOR CMS Rate and the SOFR ISR.

Note that a 'Published USD ISR Fallback Rate' will only exist if an administrator publishes such a rate<sup>2</sup>. If there is no 'Published USD ISR Fallback Rate', the 'Calculated USD ISR Fallback Rate' will be applied instead. This requires the determining agent to calculate the relevant rate in the same manner as the formula for the 'Published USD ISR Fallback Rate' as just described.

*Calculated USD ISR Fallback Rate:*

The 'Calculated USD ISR Fallback Rate' is the rate calculated as follows, and the resulting percentage will be rounded, if necessary, in accordance with the method set forth in Section 8.1(a) of the 2006 ISDA Definitions:

$$y^L = \frac{365.25}{360} \left[ 2 \times \left( \sqrt{1 + y^{OIS}} - 1 \right) + \left( s^{3M} \times \frac{1}{2} \times \left( \sqrt[4]{1 + y^{OIS}} + 1 \right) \right) \right]$$

where:

“ $y^L$ ” is the Calculated USD ISR Fallback Rate with a maturity of the Designated Maturity;

“ $y^{OIS}$ ” is the USD SOFR ICE Swap Rate in respect of the Reset Date with a maturity of the Designated Maturity; and

“ $s^{3M}$ ” is 0.26161%;

Where “**USD SOFR ICE Swap Rate**” means the benchmark for the mid-price for the fixed leg of a fixed-for-floating U.S. Dollar swap transaction where the floating leg references the Secured Overnight Financing Rate (“**SOFR**”) administered by the Federal Reserve Bank of New York (or any successor administrator) and both the fixed leg and floating leg are paid annually, as provided by the IBA as the administrator of the benchmark (or a successor administrator).

<sup>2</sup> IBA has started to publish the indicative USD SOFR Spread-Adjusted ICE Swap Rate 'Beta' Settings for an initial period and IBA states on its website that the settings will be determined in line with the methodology proposed by the ARRC in the ARRC White Paper. These settings are being provided solely for information and illustration purposes in order to enable recipients to evaluate the settings and provide feedback, and are not intended for, and IBA expressly prohibits their use for, any other purpose, including as a reference, index or benchmark in financial instruments, financial contracts, or investment funds. IBA will announce in due course whether and from when USD SOFR Spread-Adjusted ICE Swap Rate Settings will be made available for use in financial contracts and financial instruments. See IBA's website for further information: <https://www.theice.com/iba/ice-swap-rate>.

## ANNEX C

## Background

On 5 March 2021, the FCA [announced](#)<sup>3</sup> that immediately after the Cessation Date, publication of the overnight and 12-month USD LIBOR settings will cease and the 1-month, 3-month and 6-month US dollar LIBOR settings will no longer be representative and representativeness will not be restored.

Further to the FCA's announcement of 5 March 2021, the administrator of the USD LIBOR CMS Rate, ICE Benchmark Administration (the "IBA"), is [consulting](#)<sup>4</sup> on its intention to cease the publication of the USD LIBOR CMS Rate for all tenors immediately after publication on the Cessation Date.

To help the market address the potential cessation of the USD LIBOR CMS Rate:

- on 21 March 2021, the Alternative Reference Rates Committee ("ARRC") published a [white paper](#)<sup>5</sup> (the "ARRC White Paper") setting out suggested fallbacks for the USD LIBOR CMS Rate;
- on 8 November 2021, the IBA [launched](#)<sup>6</sup> its SOFR ISR to help the USD non-linear derivatives market in its ongoing transition to SOFR, which is available for the same tenors and is published at the same time as the USD LIBOR CMS Rate;
- on 10 November 2021, ISDA published Supplement 88 to the 2006 ISDA Definitions ("Supplement 88"), which includes fallback provisions for the USD LIBOR CMS Rate which apply the anticipated 'Published USD ISR Fallback Rate' calculated using the formula proposed in the ARRC White Paper, together with related [FAQs](#)<sup>7</sup>;
- on 8 June 2022, the ARRC released [recommendations](#)<sup>8</sup> for contracts linked to USD LIBOR CMS Rates; and
- on 30 August 2022, the IBA [announced](#)<sup>9</sup> it was consulting on its intention to cease the publication of all USD LIBOR CMS Rate benchmark "runs" (i.e. USD LIBOR Rates 1100, USD LIBOR Spreads 1100 and USD LIBOR 1500) for all tenors immediately after publication on 30 June 2023. The consultation closed on 7 October 2022 and IBA will publish a feedback statement in due course.

## Further links

Please find further links below relating to the LIBOR cessation announcements of 5 March 2021:

- FCA press release – available [here](#)<sup>10</sup>
- ISDA press release – available [here](#)<sup>11</sup>
- IBA press release – available [here](#)<sup>12</sup>
- Bloomberg announcement – available [here](#)<sup>13</sup>
- ARRC press release – available [here](#)<sup>14</sup>.

<sup>3</sup> <https://www.fca.org.uk/publication/documents/future-cessation-loss-representativeness-libor-benchmarks.pdf>

<sup>4</sup> [https://www.theice.com/publicdocs/Consultation\\_on\\_Potential\\_Cessation\\_of\\_ICE\\_Swap\\_Rate\\_based\\_on\\_USD\\_LIBOR.pdf](https://www.theice.com/publicdocs/Consultation_on_Potential_Cessation_of_ICE_Swap_Rate_based_on_USD_LIBOR.pdf)

<sup>5</sup> <https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2021/arrc-white-paper-on-suggested-fallback-formula-for-the-usd-libor-ice-swap-rate>

<sup>6</sup> <https://ir.theice.com/press/news-details/2021/ICE-Benchmark-Administration-Launches-U.S.-Dollar-SOFR-ICE-Swap-Rate-for-Use-as-a-Benchmark/default.aspx>

<sup>7</sup> [https://www.isda.org/a/ZbWqE/ICE-Swap-Rate-FAQs\\_June-2022-Update.pdf](https://www.isda.org/a/ZbWqE/ICE-Swap-Rate-FAQs_June-2022-Update.pdf)

<sup>8</sup> <https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2022/arrc-recommendation-cms-fallbacks-final-060222>

<sup>9</sup> <https://ir.theice.com/press/news-details/2022/ICE-Benchmark-Administration-Consults-on-Potential-Cessation-of-ICE-Swap-Rate-based-on-USD-LIBOR/default.aspx>

<sup>10</sup> <https://www.fca.org.uk/news/press-releases/announcements-end-libor>

<sup>11</sup> <https://www.isda.org/2021/03/05/isda-statement-on-uk-fca-libor-announcement/>

<sup>12</sup> <https://ir.theice.com/press/news-details/2021/ICE-Benchmark-Administration-Publishes-Feedback-Statement-for-the-Consultation-on-Its-Intention-to-Cease-the-Publication-of-LIBOR-Settings/default.aspx>

<sup>13</sup> [https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks-LIBOR-Cessation\\_Announcement\\_20210305.pdf](https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks-LIBOR-Cessation_Announcement_20210305.pdf)

<sup>14</sup> [https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2021/ARRC\\_Benchmark\\_Transition\\_Event\\_Statement.pdf](https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2021/ARRC_Benchmark_Transition_Event_Statement.pdf)