



## **NOTICE REGARDING THE REFORM AND/OR DISCONTINUATION OF INTEREST RATE BENCHMARKS**

This notice is to alert you to certain potential risks related to the material change or discontinuation of interest rate benchmarks used in financial products across the world, also known as reference rates or benchmark rates. This notice may be relevant to you if you currently hold, or expect to enter into, financial products referencing interest rate benchmarks including but not limited to: LIBOR (London Interbank Offered Rate), EONIA (Euro OverNight Index Average), SOR (Singapore Dollar Swap Offered Rate) or HIBOR (Hong Kong Interbank Offered Rate) (in each case, a "**transaction**"). Changes to these interest rate benchmarks can affect customers who use various of our financial products, including derivatives, loans and securities.

You should keep up to date with the latest industry developments in relation to interest rate benchmark reform and/or discontinuation and consider its impact on your existing transactions, as well as on any new transactions you enter into.

### **BENCHMARK REFORM RISKS**

Following international efforts to reform interest rate benchmarks, a number of well-known and widely-used interest rate benchmarks are expected to be reformed or discontinued. The proposals for each interest rate benchmark vary in terms of scope and expected timing. In relation to LIBOR, the FCA has announced that it will no longer compel banks to submit to LIBOR beyond 31<sup>st</sup> of December 2021, meaning that market participants should not rely on LIBOR being available beyond that date.

For most interest rate benchmarks that are to be discontinued, alternatives or replacements have already been, or are currently being, developed. Following the implementation of any such reforms, (a) the manner of administration or calculation of interest rate benchmarks may change, with the result that they may perform differently than in the past, (b) certain interest rate benchmarks could be eliminated entirely, (c) before any interest rate benchmark stops being published altogether, regulators may announce that an existing interest rate benchmark is no longer representative of the relevant underlying market. This could, among other things, result in fallback wording becoming operative under the documentation for certain transactions, which could have various effects, including causing the referenced interest rate benchmark for the transaction to change.

The reform and/or discontinuation of interest rate benchmarks presents various risks which may have a material financial/economic or other impact on the transaction and you should therefore seek your own independent tax, legal, regulatory, accounting, or other appropriate advice. These risks include, but are not limited to:

- (i) changes to the manner in which an existing interest rate benchmark is calculated, or differences between the manner in which a replacement interest rate benchmark and the original interest rate benchmark are calculated, could materially impact or change the value, price, cost and/or performance of the affected transaction in the future;



- (ii) replacement interest rate benchmarks for existing interest rate benchmarks may differ across transactions, and those differences may create material economic mismatches, including basis risk if you are using any transactions for hedging or similar purposes; it may for example cause the transaction not to hedge any underlying exposure as effectively;
- (iii) the manner of adoption or application of alternative interest rate benchmarks in the various jurisdictions and/or (product) markets may differ materially compared with the application and adoption of any of such alternative interest rate benchmark in other jurisdictions or markets, such as the derivatives, bond and loan markets. You should carefully consider how any mismatch between the adoption of alternative interest rate benchmarks across these jurisdictions or (product) markets may impact any of your hedging or other financial arrangements;
- (iv) some contracts for existing transactions may include fallback wording which provides for a replacement interest rate benchmark if the original interest rate benchmark is (temporarily) unavailable, while others may not or may provide rights to Rabobank to exercise discretion to determine a replacement interest rate benchmark. You should consider how such fallback wording will operate and how it might impact your financial arrangements;
- (v) Rabobank may require any price, adjustment spread or other adjustments to account for differences between the replacement interest rate benchmark and the original interest rate benchmark, which may impact your financial arrangements;
- (vi) new interest rate benchmarks are likely to be developed over time as current interest rate benchmarks stop being published, and these new interest rate benchmarks may be materially different from both the original interest rate benchmarks and replacement interest rate benchmarks that are being currently considered;
- (vii) existing or new regulations may materially limit the ability of market participants to enter into new transactions linked to the current interest rate benchmark if a determination or announcement is made that the interest rate benchmark is no longer representative of the relevant market;
- (viii) lack of liquidity in affected financial products, or limited markets in new replacement financial products, may materially limit the ability of market participants to enter into new transactions linked to the replacement interest rate benchmark;
- (ix) all transaction parties may experience operational risks and costs arising from the need to transform IT systems, (reporting) infrastructure and operational processes to adopt the replacement interest rate benchmark(s); and
- (x) moving from an interest rate benchmark to a replacement interest rate benchmark may give rise to a variety of tax, accounting, and regulatory risks across multiple jurisdictions.

If you proceed with a new transaction you are deemed to understand and accept these risks.

Should you have any questions in respect of this notice, you can contact us via your regular relationship manager or [Replacement-benchmarks@Rabobank.com](mailto:Replacement-benchmarks@Rabobank.com). Please note that Rabobank does not provide advice or recommendations on the suitability of your product choice, including with respect to any interest rate benchmark reform and/or discontinuation, as set out in the below disclaimer.



## NOTICE

*Rabobank cannot provide any assurances as to the materialisation, consequences, or likely costs or expenses associated with any of the changes or risks, including, but not limited to, those set out above, arising from interest rate benchmark reform and/or discontinuation, though they may be material to you. This notice has been prepared for informational purposes only. It does not provide an exhaustive overview of all information and risks relating to interest rate benchmark reforms and/or discontinuation and is not intended to provide and should not be relied upon for tax, legal, investment, regulatory or accounting advice. Rabobank is not providing advice regarding the materiality or likelihood of the preceding risks associated with interest rate benchmark reform and/or discontinuation, or more generally in relation to the use, change, or reform of any interest rate benchmark. You should seek your own tax, legal, regulatory, accounting, or other appropriate advice before taking further action or engaging in any transaction. This notice represents Rabobank's current understanding and material developments may have occurred after this notice was prepared. Rabobank has no obligation to update or correct the information contained in this notice. This notice is without prejudice to, and should be considered in conjunction with, any agreements, terms of business, disclaimers, disclosures, or other statements informing, alerting you about or identifying potential risks provided to you by Rabobank, including specific risks related to the reform and/or discontinuation of interest rate benchmarks.*