

NoRe

Norske Finansielle Referanser AS
Norwegian Financial Reference Rates

Nibor Transition Policy

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Nibor Transition Policy

First version in force 01.01.2020. Last revision approved by the Nibor Oversight Committee 14.12.2021 and adopted by the NoRe Board 16.12.2021. Revisions apply from 01.02.2022.

1. Introduction

This transition policy outlines the steps that the NoRe will take in order to affect an orderly transition, either to a new benchmark administrator in the case that NoRe can no longer administer Nibor or in the case that Nibor is discontinued - to an alternative benchmark – if such a benchmark exists.

The policy is “proportionate to the estimated breadth and depth of contracts and financial instruments that reference the benchmark and the economic and financial stability impact that might result from cessation of the benchmark.”

2. Legal basis - The European Benchmarks Regulation (BMR)

BMR Article 28 contains the following provisions connected a situation where a benchmark is to be changed or not to be provided any more:

- 1. An administrator shall publish, together with the benchmark statement referred to in Article 27, a procedure concerning the actions to be taken by the administrator in the event of changes to or the cessation of a benchmark which may be used in the Union in accordance with Article 29(1). The procedure may be drafted, where applicable, for families of benchmarks and shall be updated and published whenever a material change occurs.*
- 2. Supervised entities other than an administrator as referred to in paragraph 1 that use a benchmark shall produce and maintain robust written plans setting out the actions that they would take in the event that a benchmark materially changes or ceases to be provided. Where feasible and appropriate, such plans shall nominate one or several alternative benchmarks that could be referenced to substitute the benchmarks no longer provided, indicating why such benchmarks would be suitable alternatives. The supervised entities shall, upon request, provide the relevant competent authority with those plans and any updates and shall reflect them in the contractual relationship with clients.*

3. Nibor Transition Policy

3.1. Current Benchmark User Fall-back provisions

NoRe provides the Nibor benchmark to users on the basis that there are a number of factors that may affect the production of the benchmark, including factors outside the control of the NoRe. Users are made aware that, while the NoRe has developed business

continuity plans and fall back provisions for the production of the NIBOR benchmark, users should have in place their own fall back provisions in the case that there was a material change in the nature of Nibor or a cessation of the benchmark.

3.2. Responsibility for the Policy

The NoRe Board is responsible for the Transition Policy, and will take into consideration recommendations, regarding this policy or any actions associated with this policy, made by the Nibor Oversight Committee.

The Board will consider a number of issues in relation to this policy;

- Criteria for selection of credible alternate benchmarks
- Practicality of operating parallel benchmarks
- Procedures if no alternate benchmark available
- Cessation of the NIBOR benchmark
- Stakeholder Engagement for any transition arrangements
- NoRe's inability for any reason to continue to operate as the Administrator of Nibor leading to the cessation of the benchmark.

3.3. Criteria for selection of alternate benchmarks

NoRe will develop criteria to determine if there are any alternate benchmarks that closely match the NIBOR benchmark and may be considered viable alternatives.

Such criteria would include;

- Other benchmarks on the same underlying market
- Other benchmarks in related or similar underlying markets where there is a known differential

NoRe will also investigate, in the case that such benchmarks exist, that a transition from the existing benchmark is feasible.

In December 2020, the working group for alternative NOK reference rates published the report "Recommended market conventions for Nowa and fallback solutions in the event of a cessation of Nibor". The report contains recommendations for the use of Nowa in financial contracts and for managing a transition from Nibor to Nowa in the event Nibor ceases. In the report, the working group recommends a fallback clause where Nibor is replaced by term-adjusted Nowa plus a spread-adjustment factor for the relevant Nibor tenor for various triggering events.

3.4. Practicality of operating a parallel benchmark

The purpose of operating a parallel benchmark would be to allow sufficient time for the NoRe to conduct an orderly transition to the new benchmark.

NoRe, will investigate the practicality of operating a parallel benchmark, in the event that a benchmark meets the criteria for an alternate benchmark under this policy.

In the case that it is not practical, for logistical, commercial, legal or user acceptance reasons, then NoRe will proceed with its Cessation Policy.

At present there is no viable alternative benchmark to consider running in parallel.

3.5. Procedure if no alternative benchmark is available

In the case that there are no alternative benchmarks in which to transition, the NoRe Board will continue according to procedures outlined in the Nibor Cessation Policy and will inform the market of its decision to cease providing the benchmark at a suitable time in the future.

The Cessation Policy outlines the steps that NoRe will take when ceasing to provide the Nibor benchmark.

3.6. Stakeholder Engagement

In the event that NoRe consider ceasing offering the Nibor benchmark, it would, according to the Nibor Cessation Policy, conduct a public consultation to obtain stakeholder feedback. This feedback would assist NoRe in understanding the depth and breadth of issues that would affect stakeholders and assist NoRe in developing plans to mitigate as many potential issues as possible.

In the event that NoRe identified an alternative benchmark to Nibor, it would conduct a public consultation to understand the views of stakeholders, as to its suitability as the alternative benchmark and any transition issues that may need to be addressed. These issues would then be taken into account when considering cessation of the Nibor benchmark and management of an orderly transition to the alternative benchmark.

3.7. Cessation of NoRe as Nibor Administrator

If NoRe is to cease to operate as the Benchmark Administrator of Nibor, it may;

- leave the responsibility for Nibor over to a new Benchmark Administrator
- cease to produce the NIBOR benchmark

In the case that there is a viable alternative Administrator, the NoRe will put in place a plan to;

- Advise stakeholders of the change of Administrator
- Provide timings for the transition
- Provide adequate information for stakeholders as to the impact such a change may have on the benchmark and stakeholder's use of the benchmark
- Assist the new Administrator in their transition

In the case that there is no viable alternative Administrator, the NoRe will refer to the NoRe Cessation Policy.

4. Policy Review

This policy will be reviewed annually.

5. Publication

This policy shall be made publicly available.

Version history

Version	In force	Approved and adopted	Changes
V1.0	01.01.2020	Approved by Nibor Compliance (Oversight) Committee 18.11.2019. Adopted by NoRe Board 02.12.2019.	
V1.1	01.02.2022	Approved by Nibor Oversight Committee 14.12.2021. Adopted by NoRe Board 16.12.2021	Clause 3.3: Updated information about fallback-rates.