LIBOR Transition
Virtual Client Briefing Session
25 & 27 August 2020
Introductory Remarks

OUR PANEL TODAY

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Executive Director, Leveraged & Structured Solutions

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Associate Director, Rates Trading
1. LIBOR Transition Timeline: Recap of Major Milestones

1.1 Key Historical LIBOR Reform Dates

Recapping below the timeline of events that highlights the notable milestones leading up to, and following the announcement in July 2017, of the planned discontinuation of the London Interbank Offered Rate (LIBOR).

**Q2 2017**
- Sterling Overnight Index Average (SONIA) was announced as the preferred alternative Risk-Free Rate (RFR) benchmark for GBP LIBOR

**Q3 2017**
- The Financial Conduct Authority (FCA) announced they will “no longer compel banks to submit LIBOR after 2021”

**Q3 2018**
- “Dear CEO” letter jointly issued by the FCA and the Prudential Regulatory Authority (PRA) to 15 market participants

**Q1 2020**
- Publication of Secured Overnight Financing Rate (SOFR) index and periodic averages

**Q2 2020**
- Sterling RFR Working Group released Paper on the identification of Tough Legacy issues

**2017**
- The Alternative Reference Rates Committee (ARRC) announced the Secured Overnight Financing Rate (SOFR) as its preferred alternative RFR

**2018**
- FCA announced that markets need to end their reliance on LIBOR post 2021

**2019**
- The European Central Bank (ECB) published the Euro Short Term Rate (€STR) and recalibrated Euro Overnight Index Average (EONIA) methodology was released

**2020**
- Despite limited progress in some segments of UK market due to COVID-19, FCA advised that LIBOR cessation by end 2021 remains an essential task

**Q3 2020**
- The Financial Stability Board (FSB) released statement on COVID-19 impacts and urge sustained efforts to adopt RFRs and remove LIBOR dependency by end 2021
1. LIBOR Transition Timeline: Upcoming Milestones

1.2 Transition Outlook: Q3 2020 to End 2021

Regulators and industry bodies have set key milestones to ensure as smooth and orderly transition as possible. Upcoming are:

- **Q3 2020**
  - Publication of SONIA Index began in August 2020
  - Amended International Swaps and Derivatives Association (ISDA) Definitions and Protocol

- **Q4 2020**
  - Targeted cessation of new USD LIBOR floating rate notes
  - Counterparty Clearing Houses (CCP) SOFR discounting switch

- **Q1 2021**
  - Targeted cessation of new GBP LIBOR cash issuances & linear derivatives
  - Reduction in GBP LIBOR stock may require repricing conversations for GBP LIBOR products

- **Q2 2021**
  - Targeted cessation of new USD LIBOR derivatives
  - Targeted cessation of new USD LIBOR business loans and securitisations

- **End 2021**
  - FCA will no longer compel or persuade panel banks to submit LIBOR
  - ARRC recommends forward-looking SOFR term rate
2. Updates on Key Markets: Loans

2.1 Loans Markets: Business Loans | Syndicated Loans | Short-term Transaction Banking

The development of fallbacks and new RFR documentation for loan products has been more fragmented than derivatives and led at currency / jurisdictional level so far.

<table>
<thead>
<tr>
<th>What is being published?</th>
<th>What it means for you?</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ The ARRC has revised fallback language for <strong>USD LIBOR-denominated syndicated loans</strong></td>
<td>▪ The Bank intends to reach out to clients with LIBOR-linked loans in H2 2020 to communicate next steps and transition options</td>
</tr>
<tr>
<td>▪ Market consensus in favour of the historical five-year median approach for spread adjustments</td>
<td>▪ Standard Chartered will keep you informed throughout this process and provide updates with regard to market developments such as reaching out to clients with LMA documents</td>
</tr>
<tr>
<td>▪ The LMA targets loan agreement templates with hardwired fallbacks and switch provisions by Q3 2020</td>
<td></td>
</tr>
</tbody>
</table>

**Fallbacks for IBORs**

- Transition away from LIBOR is comparatively slower in loan markets than in derivatives and bonds markets
- A handful of RFR-based loans have been publicly announced to date

**New RFR Loans**

- Currently RFR-based lending is available in a limited number of SCB markets. Additional markets are being added as the industry as a whole moves towards LIBOR cessation

**Industry Timelines**

- **SONIA index publication**
  - Quarter 3 2020
  - Quarter 3 & 4 2020

- **Inclusion of USD & GBP fallbacks into loan products**
  - Quarter 1 2021

- **Cease issuance of GBP LIBOR loans maturing beyond 2021**
  - Quarter 2 2021

- **Cease issuance of USD LIBOR business loans maturing beyond 2021**
2. Updates on Key Markets: Bonds

2.2 Bond Markets: Bonds | Floating Rate Notes | Securitizations

Similar to the loans market, developments across the bond market have been led by different working groups and industry bodies. The International Capital Market Association (ICMA) has issued guidance and publications on various fallbacks and market conventions.

<table>
<thead>
<tr>
<th>Fallbacks for IBORs</th>
<th>What has been published?</th>
<th>What it means for you?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ICMA published a quick guide to the transition to risk-free rates in the international bond market detailing information on conventions, fallbacks and spread adjustments</td>
<td>The Bank expects to reach out to its clients with LIBOR-linked bonds in early 2021 to communicate next steps and transition options</td>
</tr>
<tr>
<td></td>
<td>Amendments to bonds require consent solicitation from bond holders</td>
<td>Standard Chartered will keep you informed throughout this process and provide updates with regard to market developments</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New RFR Bonds</th>
<th>What has been published?</th>
<th>What it means for you?</th>
</tr>
</thead>
<tbody>
<tr>
<td>RFR bonds have been issued with SONIA bond market being advanced in transition</td>
<td>RFR linked bonds may be offered on a case by case basis based on client needs</td>
<td></td>
</tr>
<tr>
<td>Market conventions for RFR bonds are still being developed e.g. Lookback, Payment Delayed, Lockout</td>
<td>Take note of publication of daily SONIA index which began in August 2020</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry Timelines</th>
<th>ARRC guidance to incorporate hardwired fallbacks in USD LIBOR bonds</th>
<th>BOE targets cessation of new GBP LIBOR cash issuance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quarter 4 2020</td>
<td>Quarter 1 2021</td>
</tr>
<tr>
<td></td>
<td>June 2020</td>
<td>ARRC guidance for cessation of new USD LIBOR bonds</td>
</tr>
<tr>
<td></td>
<td>Quarter 4 2020</td>
<td>Quarter 1 2021</td>
</tr>
</tbody>
</table>
2. Updates on Key Markets: Derivatives

2.3 Derivatives Markets: Swaps | Options | Futures | FRAs

ISDA will be publishing hardwired fallback language as part of the amendments to the 2006 ISDA Definitions. This is a result of a series of consultations conducted by ISDA with industry participants and regulators, to drive consensus on these topics.

<table>
<thead>
<tr>
<th>What is being published?</th>
<th>What does this mean for you?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amended 2006 Definitions (the “Supplement”) reflect updates to certain ‘floating rate options’ included in the existing 2006 ISDA Definitions</td>
<td>Standard Chartered will be hosting a webinar to provide information and key considerations in relation to the ISDA Protocol</td>
</tr>
<tr>
<td>Fallback protocol (the “Protocol”) to allow for multilateral amendments to be made to legacy contracts (to incorporate the amended floating rate options) between adhering counterparties.</td>
<td>The Bank will reach out to its clients to understand their position regarding adherence to the Protocol and next steps if bilateral negotiations are preferred</td>
</tr>
</tbody>
</table>

### Fallbacks for IBORs

- Both SOFR and SONIA experienced high trade count growth in H1 2020
- General positive trend of trading volumes in RFR-linked interest rate derivatives

### New RFR Derivatives

- The Bank currently has capabilities across all active RFR markets in derivatives. Options on RFRs (caps, floors or swaptions) may be offered on a case by case basis.

### Industry Timelines

- (Expected) publication of ISDA’s Supplement and Protocol: August 2020
- Targeted cessation of GBP LIBOR linear derivatives maturing post 2021: Quarter 2 2021
- (Expected) effective date of Supplement and Protocol: November 2020
- Targeted cessation of new USD LIBOR derivatives maturing post 2021: Quarter 1 2021
### 3. RFR Market Liquidity

#### 3.1 RFR adoption in key LIBOR markets

- SONIA-traded notionals topped USD ten trillion year by May 2020\(^1\)
- Both SOFR and SONIA experienced trade count growth of over 90% vs H2 2019 levels
- In Europe, the Euro Interbank Offered Rate (EURIBOR) continues to be the preferred benchmark
- ESTR’s adoption slow since its inception, signalling a dual market approach for the foreseeable future
- Issuances in cash markets have also continued with large and mid-tier FIs continuing to adopt SOFR and SONIA
- Some consent solicitations issued to convert GBP LIBOR bonds to SONIA

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3. Source: Bloomberg SOFR, SONIA and ESTR league tables
4. Our RFR Product Capabilities - Derivatives

4.1 What we can offer clients – Derivative Markets

The Bank currently has capabilities across all active RFR markets in derivatives. Options on RFRs (caps, floors or swaptions) may be offered on a case-by-case basis.

<table>
<thead>
<tr>
<th>Currency</th>
<th>RFR</th>
<th>Transaction Based</th>
<th>Overnight</th>
<th>Secured</th>
<th>Other Comments</th>
<th>Products Available</th>
<th>Tenor</th>
</tr>
</thead>
</table>
| USA      | SOFR| ✓                 | ✓         | ✓       | Covers multiple repo market segments, allowing for future market evolution | ▪ Interest rate swaps (fixed vs SOFR)  
▪ SOFR – USD LIBOR basis swaps  
▪ SOFR – Fed Funds basis swaps | Up to 30 years |
| UK       | SONIA| ✓                 | ✓         |         | Incorporates o/n unsecured transactions | ▪ Interest rate swaps (fixed vs SONIA)  
▪ SONIA – GBP LIBOR basis swaps | Up to 30 years |
| Switzerland | SARON | ✓                 | ✓         | ✓       | Became the reference interbank overnight repo in August 2009 | ▪ Interest rate swaps (fixed vs SARI)  
▪ SARI – CHF LIBOR basis swaps | Up to 10 years |
| EU       | €STR| ✓                 | ✓         |         | Reflects the wholesale euro unsecured o/n borrowing cost | ▪ Interest rate swaps (fixed vs €STR)  
▪ €STR – EURIBOR (or EUR LIBOR) basis swaps | Up to 30 years |
| Japan    | TONA| ✓                 | ✓         |         | Reflects the unsecured o/n call rate market | ▪ Interest rate swaps (fixed vs TONA)  
▪ TONA – JPY LIBOR basis swaps | Up to 30 years |
| Singapore | SORA | ✓                 | ✓         |         | Reflects the unsecured o/n interbank funding market | ▪ Interest rate swaps (fixed vs SORA)  
▪ SORA – SOR basis swaps | Up to 10 years |

The product variants illustrate the most commonly traded products. If you are interested in more bespoke requirements, please reach out to your relationship manager for more information.
4. New RFR-linked Loans

4.1 RFR based Calculation Method for Lending

For RFR loans, there are a range of options available to price and settle RFR interest payments as noted below:

<table>
<thead>
<tr>
<th>Rate Calculation</th>
<th>RFR Considerations</th>
<th>Calculation Methods</th>
<th>Convention Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Compounding:</strong> Takes into account the additional amount of interest owed each day by applying the daily rate of interest both to the principal borrowed and the accumulated unpaid interest component</td>
<td>Lag/Look-back</td>
<td>The observation period for the interest rate calculation starts and ends a certain number of days prior to the interest period</td>
</tr>
<tr>
<td></td>
<td><strong>Simple:</strong> The averaged RFR in this convention is the simple arithmetic mean of the daily RFRs</td>
<td>Lock Out with True Up</td>
<td>The RFR is no longer updated (i.e. frozen) for a certain number of days prior to the end of an interest period (lock out period) The RFR rate of the day prior to the start of the lock out period is applied to calculate the interest for the lock out period Any interest rate differential between the actual rate for lockout period and the frozen rate for the RFR is accounted for (or “trued up”) in the next interest rate cycle</td>
</tr>
<tr>
<td>Cashflow Certainty</td>
<td><strong>In arrears:</strong> Interest rate is known at the end of the payment period. Therefore no cash flow certainty until end of the interest period, however rate will fully reflect market conditions over the interest period</td>
<td>Delayed Billing</td>
<td>The interest payments are delayed by a certain number of days and are thus due X number of days after the end of an interest period The idea is to provide more time for operational cash flow management Contact the IBOR Lending Working group to discuss this option</td>
</tr>
<tr>
<td></td>
<td><strong>In advance:</strong> Interest rate is set in advance at the start of the payment period (i.e. LIBOR). Greater cash flow certainty for borrowers and larger window for lenders to calculate final interest payments however rate can become “out of date”.</td>
<td>Lock Out with no True Up</td>
<td>The RFR is no longer updated (i.e. frozen) for a certain number of days prior to the end of an interest period (lock out period) The RFR rate of the day prior to the start of the lock out period is applied to calculate the interest for the lock out period</td>
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</tbody>
</table>

To allow for additional time to calculate and settle payments, market conventions have been proposed. The Bank has capabilities today to offer new RFR-linked loans and will continue to build capabilities based on development of preferred market conventions.
4. New RFR-linked Loans

4.2 Illustration of RFR-based calculation method

Below illustrates the different RFR Interest Rate Methods outlined on the previous slide with an example of a three-month interest period. Clients can choose any interest period for the available calculation methods.

<table>
<thead>
<tr>
<th>RFR Pricing Methodology</th>
<th>Base Case</th>
<th>1st Jan 2021</th>
<th>25th Mar 2021</th>
<th>31st Mar 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lockout + No True up</td>
<td>1st Jan 2021</td>
<td>25th Mar 2021</td>
<td>Stale Rate till 31st Mar 2021</td>
<td></td>
</tr>
<tr>
<td>Lockout + True up</td>
<td>1st Jan 2021</td>
<td>25th Mar 2021</td>
<td>Stale Rate till 31st Mar 2021</td>
<td></td>
</tr>
<tr>
<td>Delayed Billing</td>
<td>1st Jan 2021</td>
<td>25th Mar 2021</td>
<td>31st Mar 2021</td>
<td></td>
</tr>
<tr>
<td>Lookback</td>
<td>25th Dec 2020</td>
<td>25th Mar 2021</td>
<td>31st Mar 2021</td>
<td></td>
</tr>
</tbody>
</table>

Timeline for a loan with 3-month interest settlement period

Settlement on 4th Apr 2021

Stale Rate Vs Actual Rate True up, to be settled in Next Payment Period

Stale Rate
5. Our RFR Product Capabilities - Loans

5.1 What we can offer clients – Cash Markets

The Bank has also developed RFR lending capabilities and will continue to enhance our RFR product suite to meet our clients needs.

### Available Today:

- Bilateral Term Loans or Syndicated Loans where SC is not an Agent Bank.
  - USD loans referencing SOFR
  - GBP loans referencing SONIA
  - EUR loans reference ESTR (limited to US, SG, UK, HK, TW, and AE booking locations)

- For Cash and Trade Products, current pricing will continue to apply for short-dated transactions maturing within six months or for managed rates respectively. For transactions maturing beyond six months, RFR pricing can be offered with lead time.

### Calculation Methods available and Pricing:

- Calculation Methods available are aligned to current market, industry and regulatory discussions and whichever is likely to emerge as the eventual standard.
- RFR-based pricing is available

### Currencies offered:

<table>
<thead>
<tr>
<th>Route</th>
<th>Currency Code</th>
<th>Calculation Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>SOFR</td>
<td>Transaction-based</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Overnight, nearly risk-free reference rate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Covers multiple repo market segments</td>
</tr>
<tr>
<td>GBP</td>
<td>SONIA</td>
<td>Transaction-based</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Overnight, nearly risk-free reference rate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Incorporates overnight unsecured</td>
</tr>
<tr>
<td>EUR</td>
<td>ESTR</td>
<td>Transaction-based</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Overnight, nearly risk-free reference rate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Incorporates overnight unsecured</td>
</tr>
</tbody>
</table>

### In the Pipeline:

- Additional booking locations will be introduced
- Q1 2021 Ability to offer syndicated loans as an Agent bank
- Industry milestones:
  - Q1 2021: Sterling RFR Working Group guidance to cease issuance of GBP LIBOR loans
  - Q2 2021: ARRC guidance to cease issuance of USD LIBOR loans
6. Client Readiness

6.1 Checklist of Key Considerations

The below points outline a summation of the key actions clients should consider as part of the transition planning. The bank has also published a “Checklist for Success” for clients to avail of on the LIBOR Transition webpage.

1. **Understand Key Developments**
   - Familiarise yourself with LIBOR Transition, the Bank’s efforts to date and the potential impact to you.
   - Keep up-to-date with new transition and market developments

2. **Assess Exposure**
   - Understand how you are exposed to LIBOR – what loans or exposures you may have
   - Review the transactions in the books, and identify the contracts linked to LIBOR

3. **Determine Legal Impact**
   - Understand what the ISDA Protocol is and the impact it may have to legal and contractual documentation
   - Consider your position regarding adherence to the Protocol and related contractual amendments
6. Client Preparations

6.2 Checklist of Key Considerations

The below points outline a summation of the key actions clients should consider as part of the transition planning. The bank has also published a “Checklist for Success” for clients to avail of on the LIBOR Transition webpage.

Accounting Considerations

- IBOR reform could cause hedge relationships to fail unless an entity applies relief finalised by the International Accounting Standards Board (IASB)
- Hedge documentation will also need to be updated
- Clients should seek independent advice and consider potential enhancements to accounting systems and processes

Operational Considerations

- Systems
  - Upgrades to systems linked to LIBOR to allow for trade bookings, treasury, reporting
  - Develop pricing mechanisms based on RFRs
  - Consider systems incorporating new interest rate curves, historical RFR data and market conventions

- Processes
  - Set up a process for dispute resolution with clear lines of escalation to management
  - Develop plans to ensure all system and process changes are executed, tested, and validated in time for the transition

- Documentation
  - Assess the contractual terms and strength of fallbacks referenced
  - Identify contracts which require an individual and bespoke modification to its existing contractual terms

Checklist of Key Considerations

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**6. Understand the Risk & Treasury Impact**

- Consider the implications on treasury and risk management processes
- May require changes to operations and systems as discussed earlier

**7. Transfer to RFR Products**

- Familiarise yourselves with the Bank’s RFR product capabilities
- Consider their suitability according to your business needs through modelling etc.

**8. Communicate with Impacted Parties**

- Engage in conversations with your counterparties to discuss the impact of the transition on current arrangements
- Raise awareness and educate relevant employees within their organisation
7. Resources and Contacts

Below are some key resources and guidance to help support clients in relation to their IBOR transition efforts.

- **Dedicated LIBOR Transition webpage**
- **‘Checklist for Success’** – Standard Chartered’s LIBOR Transition readiness checklist
- **‘LIBOR Transition – What you need to know’** brochure on the current IBOR developments

If you have additional queries on the transition, please reach out to your respective Standard Chartered point of contact or email IBOR.Transition@sc.com

Clients should familiarise themselves with regulatory and industry developments in relation to IBOR transition. Some of the key industry bodies are listed in the appendix.
Appendix
Mitigating Potential Basis Risks on a Floating Rate Portfolio

Case 1: A corporate has GBP fixed rate bonds and entered into multiple fixed to float interest rate swap contracts to convert the bonds’ interest from fixed to floating (GBP 3M LIBOR + Spread)

Case 2: An institution invested in a portfolio of GBP fixed income instruments. In managing the interest rate risk, it entered into multiple fixed to float interest rate swap contracts to convert the return of the underlying bonds from fixed to floating (GBP 3M LIBOR + Spread)

Problem
- The LIBOR discontinuation presents a potential risk of valuation jump in both cases
- Depending on the final transition methodology and levels being agreed upon after the transition, the cash flows and valuation of the swaps are likely to be based on the prevailing SONIA swap curve

Solution
- Clients can consider entering into a LIBOR/SONIA basis swap to hedge against the risk of valuation jump
- In the past year, the GBP LIBOR-SONIA basis swap curve has flattened across the tenor (Chart) suggesting spreads are adjusting to historical median. This could be an opportunity to lock in basis and hedge against jump risk mentioned above
## How a SONIA Floating Rate Note might look

<table>
<thead>
<tr>
<th>Transaction Terms</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issuer</strong></td>
<td>Standard Chartered Bank (Hong Kong) Limited</td>
</tr>
<tr>
<td><strong>Tenor</strong></td>
<td>Six months or one year</td>
</tr>
<tr>
<td><strong>Notional</strong></td>
<td>GBP 10 million</td>
</tr>
<tr>
<td><strong>Currency</strong></td>
<td>GBP</td>
</tr>
<tr>
<td><strong>Coupon</strong></td>
<td>SONIA Compound Rate&lt;sup&gt;5&lt;/sup&gt; + 10 bps</td>
</tr>
<tr>
<td><strong>Coupon Frequency</strong></td>
<td>Semi Annual</td>
</tr>
<tr>
<td><strong>Day Count</strong></td>
<td>Act/365</td>
</tr>
<tr>
<td><strong>Issuer Rating</strong></td>
<td>A+/A1/-- (S&amp;P/Moody's/Fitch) for Standard Chartered Bank (Hong Kong) Limited</td>
</tr>
</tbody>
</table>

### Risk Considerations
- Coupon is based on fixings computed over the coupon period and hence the interest amount is only known two business days before the payment<sup>4</sup>
- SONIA fixing exposure can be hedged in the swap and futures markets. As SONIA derivatives are still at a nascent stage, the liquidity of these markets may be lower and transactional costs may be higher compared to LIBOR derivatives

### Example of Interest Amount Calculation
- Coupon period is seven days, interest is payable two business days after the end of coupon period. Interest Amount calculation for one coupon period:

### SONIA Compound Rate Formula

\[
\text{SONIA Compound Rate} = \left(1 + \frac{\text{SONIA}_1 \times n_1}{365}\right) \left(1 + \frac{\text{SONIA}_2 \times n_2}{365}\right) \left(1 + \frac{\text{SONIA}_3 \times n_3}{365}\right) \cdots \left(1 + \frac{\text{SONIA}_d \times n_d}{365}\right) - 1
\]

Where,
- \(d\) = No of days in Calculation Period
- \(\text{SONIA}_i\) = SONIA rate applicable on business day \(i\)
- \(n_i\) = No of days for which SONIA rate applies

### Example Calculation

<table>
<thead>
<tr>
<th>Day</th>
<th>SONIA</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.72%</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>0.70%</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>0.68%</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>0.71%</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>0.73%</td>
<td>3</td>
</tr>
<tr>
<td>6</td>
<td>0.73%</td>
<td>3</td>
</tr>
<tr>
<td>7</td>
<td>0.73%</td>
<td>3</td>
</tr>
<tr>
<td>10</td>
<td>0.73%</td>
<td>3</td>
</tr>
</tbody>
</table>

\[
\text{SONIA Compound Rate} = \left(1 + \frac{0.0072}{365}\right) \left(1 + \frac{0.0070}{365}\right) \left(1 + \frac{0.0068}{365}\right) \left(1 + \frac{0.0071}{365}\right) \left(1 + \frac{3 \times 0.0073}{365}\right) - 1 = 0.71432%\]

\[
\text{Interest Amount} = \GBP 10,000,000 \times (0.71432% + 0.10\%) \times \frac{7}{365} = \GBP 1,561.71\]

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4. The actual mechanics shall follow the Note's terms and conditions. It may be different to standard in SONIA market
5. SONIA Compound Rate is calculated by compounding SONIA daily over the coupon period.
Appendix 3: List of Regulatory and Industry Bodies

- The US based Alternative Reference Rates Committee
- The Working Group on Sterling Risk-Free Reference Rates
- The Working Group on Euro Risk Free Rates
- The National Working Group on Swiss Franc Reference Rates
- Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks
- Interest Rate Benchmark Reform in Australia
- Canadian Alternative Reference Rate Working Group
- The Steering Committee for SOR Transition to SORA
- International Swaps and Derivatives Association on Financial Benchmarks
- Financial Stability Board's Benchmark publications
- International Accounting Standards Board Interest Rate Benchmark Reform
- International Capital Market Association's Benchmark Reform
- Loan Mortgage Association work on LIBOR
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>€STR</td>
<td>Euro Short-Term Rate</td>
</tr>
<tr>
<td>ARRC</td>
<td>Alternative Reference Rates Committee</td>
</tr>
<tr>
<td>BD</td>
<td>Business Day</td>
</tr>
<tr>
<td>BoE</td>
<td>Bank of England</td>
</tr>
<tr>
<td>BP</td>
<td>Basis Points</td>
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<td>CCP</td>
<td>Central Clearing party</td>
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<td>CHF</td>
<td>Swiss Franc</td>
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<td>CLO</td>
<td>Collateralised Loan Obligations</td>
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<td>EFFR</td>
<td>Effective Federal Funds Rate</td>
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<tr>
<td>EIR</td>
<td>Effective Interest Rate</td>
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<td>European Money Markets Institute</td>
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<td>EONIA</td>
<td>Euro Overnight Index Average</td>
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<td>EURIBOR</td>
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<td>Turkish Lira Overnight Reference Rate</td>
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