

## LIBOR Transition Approach including Fallback Methodology for Interest Rate Derivatives



### Why am I receiving this communication?

**Publication of LIBOR settings will cease immediately after June 30, 2023.** Contracts linked to LIBOR are expected to be transitioned on or before this date.

### What is BMO doing?

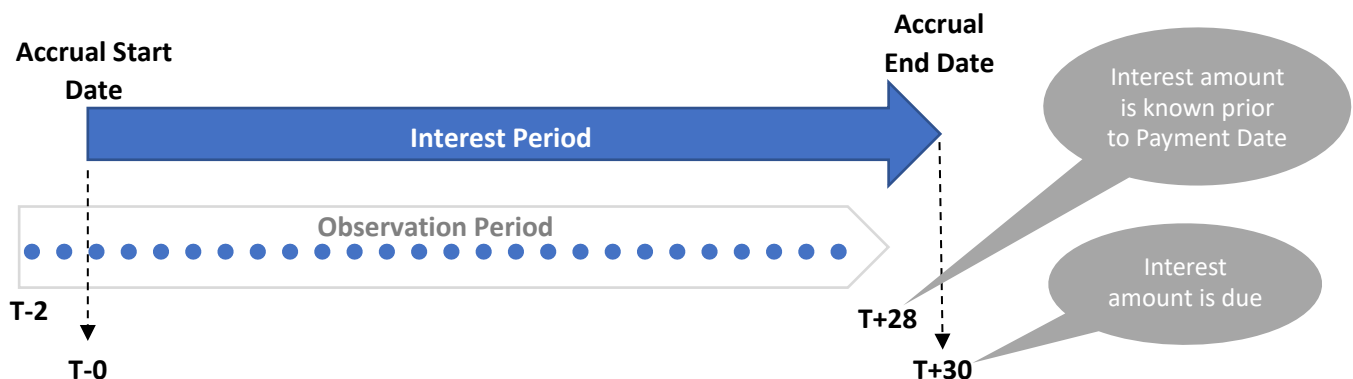
1. BMO is working with clients to **proactively renegotiate LIBOR-linked contracts to SOFR prior to cessation.**

This will reduce overall exposure to benchmarks that will cease to be published and result in a SOFR swap that directly hedges your underlying risk.

- Changes only need to affect the rates and not the notional schedule or the maturity date.
- The amended trade confirmation will outline the new SOFR benchmark as well as any other trade details that are modified.

2. Clients can wait and **rely on ISDA fallback provisions to automatically transition LIBOR-linked contracts over to SOFR on June 30, 2023.**

- Beginning with the first reset period after June 30, 2023, floating payments will be calculated using the Bloomberg-published ISDA Fallback Rates, calculated and published by Bloomberg Index Services Limited (“BISL”)
- Under the Fallback Protocol, amended trade confirmations will not be produced for contracts that are automatically transitioned by fallback provisions on June 30, 2023



## Fallback Language Incorporation

- I. [Adhering to the ISDA Protocol](#) will automatically update fallback language in all legacy derivatives. BMO entities have adhered to the Protocol.
- II. **US Legislative Fix. Where the applicable agreement contains no fallback language and is governed by US law, the LIBOR Act and related Federal Reserve rules would apply the relevant Federal Reserve-selected replacement rate to the swap.** If not proactively renegotiated, the automatic transition of these contracts should occur by operation of law. The Federal Reserve replacement rate is currently expected to be the published ISDA Fallback Rate.

## [What should you do?](#)

We encourage you to review the below resources on the ISDA Fallback Protocol Calculation Methodology and connect with your BMO representative to understand next steps. Let us know how we can help!

### Additional Information:

- [ISDA Guidance - Bloomberg published Fallback Rates: Interaction between RFR publications, IBOR Fallback publications and the ISDA Definitions](#)
- [Bloomberg IBOR Fallback Rate Adjustment Rulebook](#)
- See Appendix 1 in the [Bloomberg Factsheet](#) for a sample calculation of LIBOR Fallbacks.
- For information on the LIBOR transition please visit: [BMO's IBOR Transition website](#)
- For any questions please don't hesitate to contact BMO's IBOR Transition Office at [IBOR.TransitionOffice@bmo.com](mailto:IBOR.TransitionOffice@bmo.com) or your BMO representative

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