

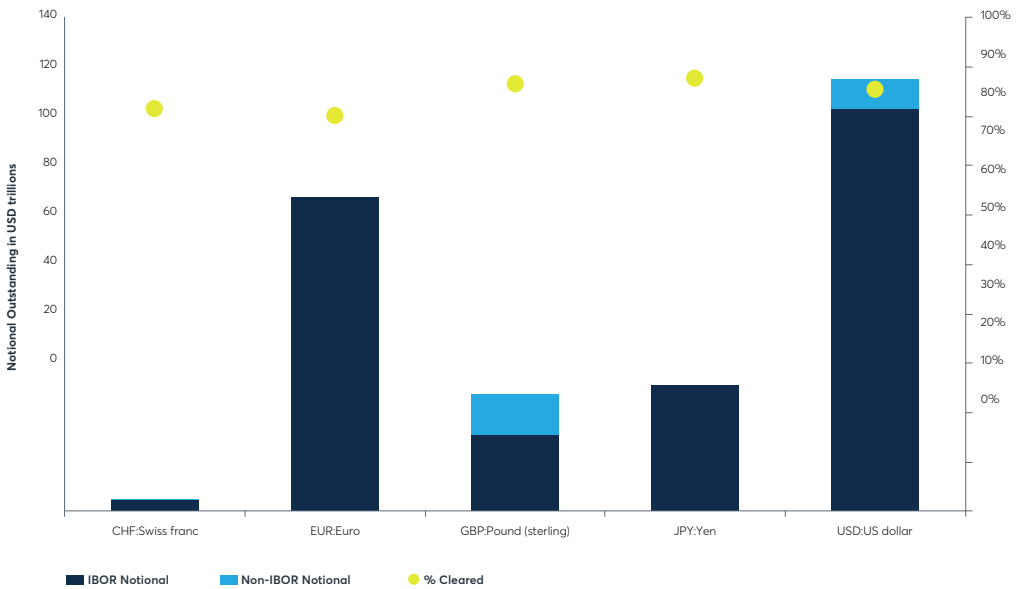
Benchmark Conversion

Alternative Benchmarks for Swap Risk



- In 2017, Andrew Bailey (UK FCA) announced that banks will no longer be required to contribute to LIBOR fixings beyond the end of 2021.
- Across the top five currencies, 85% of outstanding LIBOR swap exposure is cleared.

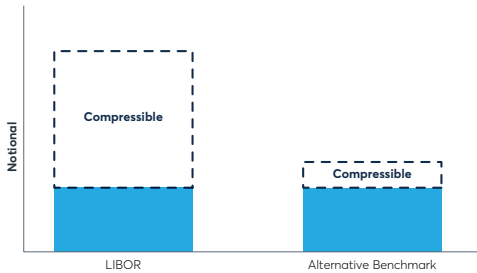
OTC IRS Notional by Currency, Index & Cleared %



Source: BIS & TriOptima

Starting with compression ...

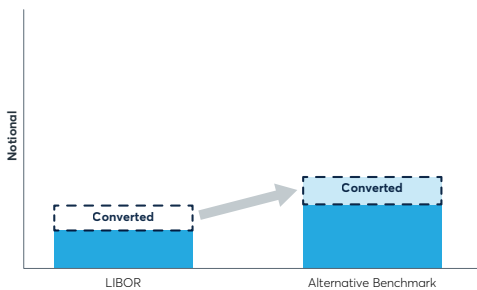
Maximize reduction of gross notional across LIBOR swaps and the alternative benchmark



- Multilateral compression can help market participants to reduce their gross notional and line items while keeping their swap positions market risk neutral overall.
- In triReduce compression cycles, gross exposures are brought down towards each firm's core net risk position.
- Simultaneous compression in the alternative benchmark helps keep overall gross notional down throughout the conversion process.

... and adding conversion functionality

Convert remainder of LIBOR swap exposure to the alternative benchmark



- Each party sets constraints on outright risk, as well as the basis risk between the various LIBOR term rate tenors and the alternative benchmark, providing each firm with certainty throughout the conversion process on their risk impact.
- Risk-based constraints allow each participant to control the amount of conversion taking place. Tighter limits will mean only termination of trades or amendment of terms take place, wider settings facilitate inclusion of risk replacement trades in a single cycle.
- Firms with illiquid or netted portfolios are included in the same conversion exercise, benefiting from the triReduce liquidity pool.
- Should alternative benchmark term rates become available, risk and basis tolerances can be applied to control conversion into any new alternative rates.

Key Features

- Will be available to all swap market participants in 2020
- A single unified process
- Expandable to all IBORS and CCPs
- Deep liquidity pool, proven process and established connectivity to CCPs and market infrastructure
- Participants retain control of their market risk
- Preserves CCP cash flow neutrality
- Can support multiple benchmarks and term rates, as required

If you are a market participant with cleared swaps, you are eligible.

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INTERNATIONAL AWARDS 2019

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TriOptima
Outstanding Project
LIBOR Transition

Regulations Asia – Outstanding Project of the Year
for Benchmark Conversion, triReduce

FOW Awards – Best New Product: Post Trade
for Benchmark Conversion

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