1. Effective need for a replacement for CHF LIBOR

Pursuant to article 23a of the EU BMR, the Commission may only designate replacement rates for third-country benchmarks '*if their cessation or wind-down would significantly disrupt the functioning of financial markets in the Union or pose a systemic risk to the financial system in the Union*'.

Question 1. Do market participants agree that the situation as described above, requires that the Commission exercises the statutory replacement powers for the CHF LIBOR?

- (•) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

Please explain your answer to question 1 and provide data if available:

Yes, we agree. In our opinion, the cessation of CHF Libor would pose a systemic risk to the European financial system, thus we reckon a statutory replacement rate by the European Commission as necessary.

A critical issue is the current situation of many contracts expiring after December 2021 and referencing CHF Libor. Indeed, considering that most of these contracts were agreed before the EU Benchmark Regulation came into force in January 2018, such contracts lack of any robust fallback measure that would guarantee their legal continuity.

Several Italian Banks have a large number of contracts with retail customers maturing after 31.12.2021, linked to CHF Libor; the lack of a fallback rate will be a widespread issue. As a matter of fact, without a statutory replacement, this would give rise to client acceptance issues and very high litigation risks.

We also wish to draw the attention of the EC on the widespread use of:

- main tenors, such as 1m, 3m, 6m and 12m CHF Libor, and
- de-synchronicity of the benchmark fixing frequency, and the instalments payment frequency (e.g. the 6m CHF Libor is observed semiannually on March 1st and applied on monthly installments paid from March to August, then the rate is updated on September 1st and applied on monthly instalments paid from September to February of the following year)

Since we assume that a statutory replacement aims to keep the features of the original contracts to the extent possible, we consider highly opportune to consider and encompass all features in a replacement proposal.

For the sake of linearity, simplicity and transparency toward the customers, it would be desirable

- to use the compounded SARON under a last reset methodology up to 3M (1M for CHF LIBOR 1M and 3M for CHF LIBOR 3M/6M/12M)
- to apply the ISDA spread adjustment of the original tenor (1M for CHF LIBOR 1M, 3M for CHF LIBOR 3M, 6M for CHF LIBOR 6M and 12M for CHF LIBOR 12M)
- to introduce some conforming changes in some specific cases as detailed in the table below.

Original Benchmark				Statutory Replacement				
Tenor	Fixing Frequency	Payment Frequency		Tenor	New Index Description	Fixing Frequency	Payment Frequency	Spread adjustment (ISDA)
CHF LIBOR 1M	1M	1M	→	LAST RESET 1M	1M SARON	1M	1M	1M
CHF LIBOR 3M	3M	3M	→	LAST RESET 3M	3M SARON	3M	3M	3M
CHF LIBOR 6M	6M	6M	→	LAST RESET 3M	3M SARON	3M (Conforming Change)	3M (Conforming Change)	6M
CHF LIBOR 12M	12M	12M	→	LAST RESET 3M	3M SARON	3M (Conforming Change)	3M (Conforming Change)	12M

The case of de-synchronization use

Loans bearing a payment frequency different from the index tenor need to be considered specifically; typically, we observe loans with monthly payments yet linked to 3M, 6M or 12M CHF Libor tenor.

For the sake of linearity, simplicity and transparency toward the customers, we suggest

- to use the 3M compounded SARON under a last reset methodology
- to apply the ISDA spread adjustment of the original tenor
- to introduce a change in the re-fixing frequency that will become quarterly, keeping the monthly payment in line with the original contract as detailed in the table below.

ASIS				Statutory Replacement				
Tenor	Fixing Frequency	Payment Frequency		Tenor	New Index Description	Fixing Frequency	Payment Frequency	Spread adjustment (ISDA)
CHF LIBOR 3M	3M	1M	→	LAST RESET 3M	3M SARON	3M	1M	3M
CHF LIBOR 6M	6M	1M	→	LAST RESET 3M	3M SARON	3M (Conforming Change)	1M	6M
CHF LIBOR 12M	12M	1M	→	LAST RESET 3M	3M SARON	3M (Conforming Change)	1M	12M

We wish to underline that monthly payment feature is usually chosen according to the borrowers' needs, especially in mortgages.

We suggest that the statutory replacement would also consider those outstanding contracts having as a fixing rate the average of daily CHF Libor rates; this methodology has been used to reduce the refixing risks for the borrowers, smoothing the contract rate fixings along a period of time. Since the compounded SARON with the Last Reset methodology is already computed as an average rate, we consider it as compatible with an average CHF LIBOR set in advance. As a result, we believe that it is appropriate to apply the same methodology both for punctual and average fixing and both for standard and de-synchronized contracts. We suggest the EC to incorporate this feature in the statutory replacement provisions.

Floor Option

We wish to draw the attention of the EC to possible "Floor" options to the final rate of the contract: we propose to apply the Floor option to the **sum of the compound SARON plus the spread adjustment**; this approach has been recently recommended also by the Working Group on euro risk-free rates.

Definition of Legacy Stock

We suggest the EC to evaluate the position of those contracts entered into after January 1st 2018 and March 5th 2021 (i.e. the date of the announcement of LIBOR discontinuation). Given the uncertainty around the availability of a fallback rate, it may be prudent to include also these contracts in the statutory replacement provision,

2. Fairness and acceptability of the solution recommended by the Swiss National Working Group

Question 2. Do consumers, small and medium enterprises and relevant consumer bodies agree that the proposed replacement rate (3M SARON calculated as a compounded SARON under a last reset methodology) plus the ISDA adjustment spread (calculated as a historical median approach over a five-year lookback period) is a fair and equitable solution for a replacement of CHF LIBOR in mortgages and small business loans and consumer credit agreements?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

Please explain your answer to question 2 and, if necessary, provide alternative solutions:

As an Association that represents financial institutions, Assiom Forex is not in the position to give an opinion on behalf of retail and SME; in any case we take the opportunity to agree with the recommendations by the Swiss National Working Group to identify compounded SARON as the replacement rate of CHF Libor in mortgages and small business loans and consumer credit agreements. The decision to adopt a backward-looking term rate is in fact inevitable given current CHF market conditions, due to the scarce liquidity observed on forward looking derivative markets.

Moreover, the usage of the ISDA adjustment spread (negative for CHF LIBOR 1M and positive for CHF LIBOR 3M/6M/12M) would establish a rate that would be economically closer to CHF LIBOR pre-cessation values, allowing a value-neutral transition to the extent possible when the benchmark will cease to exist.

3. Compatibility of the chosen methodology with EU and Member States laws protecting consumers

Question 3. Do market participants agree that the proposed calculation method (so called last reset) is compatible with the requirements of the MCD, the CCD, Directive 93/13/EEC and of other legislation protecting consumer credit and national implementation laws or with any other applicable legislation?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

Please explain your answer to question 3:

Considering that a synthetic Libor is not expected for CHF LIBOR and a CHF forward-looking term rates is neither expected nor recommended, Assiom Forex thinks that the last reset methodology is the most feasible solution as it allows to retail customer to know “in advance” the amount of the payment to be made at the end of the reference period as the calculation of the compounded rate in arrears is applied for the next period.

Assiom Forex strongly suggest to take into consideration not only 3 months but all main tenors (1-3-6-12 months), leveraging for technical features (conventions, floor, spread adjustment rules etc..), on suggestions coming from the working groups that have already collected market opinions via public consultations (e.g. the WG on euro risk free rates)

Finally we kindly request to the Commission to express a guidance also related to communication of Compounded SARON that at the moment is available only on SIX website considering that benchmark value might not be free of charge and the website is not available in the main European languages with consequent issues of transparency that must be guaranteed to all European customers.