



These Frequently Asked Questions (FAQs) are provided for information purposes only. These responses are general in nature and are not (i) financial, legal, tax, accounting or other advice by Citi, or (ii) an offer, invitation or recommendation to enter into any product or service. You should not rely on them for that purpose. You can find more information about LIBOR on the Financial Conduct Authority (FCA)'s website.¹ Citi encourages you to keep up to date with the latest industry developments in relation to LIBOR and benchmark reform and to consider their impact on you using independent professional advisors (financial, legal, tax, accounting or other) as you consider necessary. You should consider, and continue to keep under review, the potential impact of LIBOR and benchmark reform on any existing product you have with Citi and/or any new product you enter into with Citi.

Glossary

CHF	Swiss Franc
EUR	Euro
FCA	Financial Conduct Authority (UK regulator)
GBP	Pound Sterling
HIBOR	Hong Kong Interbank Offered Rate
HKD	Hong Kong Dollar
IBOR	Interbank Offered Rate
ICE	ICE Benchmark Administration (LIBOR administrator)
JPY	Japanese Yen
LIBOR	London Interbank Offered Rate
USD	US Dollar

The Background to Benchmark Transitioning

1. What is LIBOR?

LIBOR stands for the London Interbank Offered Rate and derives from the rate at which banks can borrow from other banks. LIBOR is used to price or value a wide range of financial products, including loans, mortgages, bonds and derivatives. LIBOR is published in 5 currencies (USD, GBP, EUR, CHF and JPY). It is a forward-looking term rate, which takes into account the credit risk banks would face when lending to one another over a certain period, e.g. 1 month, 3 months, 1 year.

¹ <https://www.fca.org.uk/markets/libor>

2. Why is LIBOR being discontinued?

LIBOR is determined by quotes submitted to the authorised administrator of LIBOR (ICE Benchmark Administration (ICE)) from panel banks. These submissions are intended to reflect the interest rate at which banks could borrow money on unsecured terms in wholesale markets. However, over time, banks have shifted away from unsecured interbank lending in favour of alternative funding models. As a result, the number of transactions underpinning LIBOR has reduced, making many of the rates heavily reliant on 'expert judgement' by the panel banks. This has led to various regulatory authorities, including the FCA, forming the view that LIBOR needs to be replaced.

3. When will LIBOR be replaced?

Certain markets may transition away from LIBOR and onto replacement rates before the end of 2021, and different currencies and financial products are likely to move at different speeds. Where applicable, we will send / have sent you a notice to confirm the timing of LIBOR transition as it applies to your LIBOR-linked product(s) held with us before migration takes place. In the meantime, you can obtain further information about LIBOR transition from the Bank of England² and FCA websites.³

We encourage you to keep up to date with LIBOR reform and related developments, and to consider their impact on you, using independent professional advisors (financial, legal, tax, accounting or other) as you consider necessary.

We note that ICE has confirmed in a feedback statement⁴ (accompanied by a corresponding FCA announcement)⁵ that it will cease the publication of:

- All tenors of EUR, CHF, JPY and GBP LIBOR, to take effect after the publication of LIBOR on 31 December 2021;
- 1 week and 2 month tenors of USD LIBOR, to take effect after the publication of LIBOR on 31 December 2021; and
- Overnight and 1, 3, 6 and 12 month tenors of USD LIBOR, to take effect after the publication of LIBOR on 30 June 2023.

Additionally, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation (together, the US Banking Agencies) in the US released a statement⁶ explaining that the 30 June 2023 cessation date would allow time for "legacy contracts" in USD LIBOR executed before 1 January 2022 to mature. The guidance further noted that the US Banking Agencies encourage banks to stop entering into new USD LIBOR based contracts by the end of 2021.

Existing USD LIBOR-linked Products

4. Which interest rate will my USD LIBOR-linked product (Investment Plus) migrate to?

On 1 October 2021 (the 'Switchover Date'), all references to USD LIBOR (in the relevant currency and tenor) in the terms of your Investment Plus will be deleted and replaced with references to the relevant replacement rate. We will send / have sent you a notice setting out the replacement rate that

² <https://www.bankofengland.co.uk/markets/transition-to-sterling-risk-free-rates-from-libor>

³ <https://www.fca.org.uk/markets/libor>

⁴ https://www.theice.com/publicdocs/ICE_LIBOR_feedback_statement_on_consultation_on_potential_cessation.pdf

⁵ <https://www.fca.org.uk/publication/documents/future-cessation-loss-representativeness-libor-benchmarks.pdf>

⁶ <https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20201130a1.pdf>

we have chosen for your Investment Plus USD LIBOR-linked product. This replacement rate broadly reflects Citi's costs (for the relevant currency) which Citi would actually or potentially incur to fund its lending facilities for the relevant period. The calculation of this replacement rate shall be determined by Citi in our absolute discretion based on (a) either published market rates or internal estimates; and (b) the cost that Citi may incur, on an actual or notional basis, and may also include any premia as Citi deems appropriate.

Please note that aside from USD LIBOR, HIBOR for HKD will remain as set out in your product, unless you are notified otherwise.

5. How will my USD LIBOR-linked contract be changed to one which incorporates a replacement rate?

The amendment process is subject to specific agreements between Citi and you, and we will be / have already been in touch with you to inform you about reasonable changes to those agreements in relation to the transition.

We are unilaterally changing the applicable reference rate of your Investment Plus from USD LIBOR to a replacement rate. We will send / have sent you a notice to inform you of such change, but we do not require your consent in order for the change to become effective and you will not have to do anything unless you are not happy with that rate. Through the notice sent to you, we have provided you with reasonable notice of this change, together with information about the steps you need to take if you are not happy with the new rate.

Please see FAQ 6 for more details on the migration process and FAQ 7 for more details on fallback language. Please also contact your Relationship Manager if you have any questions.

6. What is the timing for migration for existing USD LIBOR-linked products?

We are expecting to apply a replacement rate to most affected contracts, both existing and new, on the Switchover Date.

The Switchover Date precedes the expected discontinuation of USD LIBOR on 31 December 2021 by around three months. This is for operational reasons, in order to allow legacy contracts across our portfolio to transition in the manner described below. It also creates a contingency period in the event that USD LIBOR ceases accurately to represent market conditions before it in fact ceases to be published.

We will send / have sent you a notice which constitutes reasonable notice of the replacement rate we will apply to existing contracts from the Switchover Date. The Switchover Date represents the date on which the rate change becomes contractually effective, but your interest payments may not be based on the replacement rate immediately from that date if you have an outstanding advance. If we made you an advance under a USD LIBOR-linked product before the Switchover Date, and the Switchover Date falls between interest rate adjustments, you will be charged your current USD LIBOR-based rate for the remainder of that interest period until the next monthly interest rate adjustment. In other words, your interest payments would only start being based on the replacement rate from the first interest rate adjustment date on or after the Switchover Date. We will provide you with the interest rate adjustment record for each month in the loan statement that you receive at the end of every interest period.

Example: You have an existing Investment Plus with us and pay interest every three months. You have an outstanding USD advance on which you are charged a rate based on USD LIBOR, with the interest rate being adjusted monthly. We set your USD LIBOR rate on 5 August 2021 at the beginning of your three-month interest payment period and adjust it on the 5th day of each calendar month. However, the Switchover Date is due to occur on 1 October 2021, two thirds of the way through your interest payment period and after the first adjustment on 5 September 2021. Despite the switch, you will continue to be charged the USD LIBOR rate that was set on 5 September 2021 until 4 October 2021. From 5 October 2021, the first interest rate adjustment date after the Switchover Date, you will be charged a rate based on the replacement rate.

In the meantime, we would encourage you to undertake a review of your Investment Plus USD LIBOR-linked products and to take appropriate independent professional advice (legal, tax, accounting, financial or other) so that you understand the impact of the discontinuation of any LIBOR on your products with Citi and more generally.

7. What is meant by “fallback language” and “trigger events”?

“Fallback language” refers to the legal provisions in a contract that apply if the underlying reference rate in the product (e.g. USD LIBOR) is permanently discontinued, ceases to be available or there has been an announcement or determination that the rate is no longer, or will at some point in the future no longer be, representative. A fallback will generally consist of two components:

- details of the trigger events, which is an event that brings about the need to rely on the fallback language (such as USD LIBOR not being available); and
- the fallback rate: the rate, or the approach to determining that rate (including any adjustment) which is to be used in place of the relevant LIBOR that is unavailable.

Your contract may include fallback language. If it does, that language will detail the trigger events relevant to that product together with details of the fallback rate or how that rate will be determined. Where we are not able to provide the exact fallback rate in your existing contract, we will have explained our approach to determining that rate.

8. Can I continue to request USD LIBOR-linked advances under an existing facility agreement during this year?

Until the Switchover Date, you can continue to draw down under existing facility agreements in USD and pay an interest rate based on USD LIBOR in the appropriate tenor (to the extent that your existing facility agreement allows you to do so).

New Products

9. What type of new products will Citi be offering?

We have developed products linked to the replacement rates.

From 20 July 2021 until the Switchover Date, we will be offering new Investment Plus based on USD LIBOR which will automatically switch to the replacement rate on the Switchover Date.

From the Switchover Date, all new Investment Plus that would previously have referenced USD LIBOR will only reference the replacement rate instead. We will not be able to offer any new USD LIBOR-linked products after the Switchover Date (including new loans based on *all* USD LIBOR tenors).

If you are interested in any of the products above, please contact your Relationship Manager so that we can register your interest. In the meantime, we would encourage you to undertake a review of your Investment Plus USD LIBOR-linked products and to take appropriate independent professional advice (legal, tax, accounting, financial or other) so that you understand the impact of the discontinuation of any LIBOR on your products with Citi and more generally.

General Matters

10. What can I do to prepare for the transition away from LIBOR?

We encourage you to keep up-to-date with the latest industry developments in relation to benchmark transitioning (for example, by monitoring the announcements of industry working groups, trade associations and regulators) and to consider the impact of those developments on your products, using independent professional advisors (legal, tax, accounting, financial or other) as appropriate.

11. What has Citi done so far in relation to LIBOR transitioning?

We are actively involved in industry efforts to manage the transition from LIBOR and are also working through internal steps and processes to balance benchmark transitioning with our obligations. Citi has set up an IBOR governance and implementation program and remains focused on identifying and addressing the impact of transition on our operational capabilities and financial contracts, among others.

Please see FAQs 4 and 9 for further information on the replacement rates that Citi may apply to its existing products and new products respectively.

We will communicate with you in good time if there are any changes to information previously communicated to you.

12. What should I do if I would like to discuss this topic with Citi?

You should contact your Relationship Manager.

Please note that “Citi” refers to Citi’s Global Consumer Bank in APAC and EMEA.

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