

ISDA Publishes IBOR Fall Back Supplement and Related Protocol

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On October 23, the International Swaps and Derivatives Association, Inc. (ISDA) published two important documents that give swap market participants a convenient way to modify their swap agreements to account for the expected discontinuation of the London Inter-bank Offered Rate (LIBOR) and other interbank offered rates (collectively, IBORs). The two documents are the IBOR Fallbacks Supplement to the 2006 ISDA Definitions (Supplement) and the 2020 IBOR Fallbacks Protocol (Protocol). The effective date for both the Supplement and the Protocol is January 25, 2021.

The Supplement is (officially) Supplement No. 70 to the 2006 ISDA Definitions. It amends the IBOR definitions for all major currencies to provide more precise outcomes when an “Index Cessation Event” has occurred with respect to a particular IBOR rate or a fallback. The designated fallback for US Dollar LIBOR in such an event is “Fallback Rate (SOFR)”, which is defined as “the term adjusted SOFR plus the spread” provided by Bloomberg Index Services Limited. Any swap that incorporates the 2006 Definitions will include the new definitions on the effective date.

The Protocol provides a convenient means by which parties to agreements that do not already incorporate the 2006 Definitions can amend them to add the new definitions. The Protocol can even be used to amend agreements other than ISDA documents that reference the IBORs being replaced. An Annex to the Protocol list 74 types of capital markets agreement that could be “Protocol Covered Agreements,” including repurchase and securities lending agreements.

The ISDA press release concerning the Supplement and the Protocol is available [here](#).

The text of the Supplement is available [here](#).

The text of Protocol is available [here](#).

Information about the Protocol (including FAQs, a list of adherents and instructions for adherence) is available [here](#).

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