LIBOR/MIFOR Transition

Transitioning away from LIBOR to new Alternative Reference Rates ("ARRs") remains one of the most important challenges facing financial markets over the next 2 years. This transition is extremely important to both JP Morgan (the "Firm") and the broader financial industry.JP Morgan established a Firmwide LIBOR Transition Program (the "Program") in early 2018. The Firmwide Program continues to be managed by a central team. The Firm remains committed to supporting a well-managed, transparent transition for the industry and its clients and is well resourced to do so.

On 8 July 2021, RBI issued a circular on Roadmap for LIBOR Transition wherein they encouraged banks and financial institutions to cease and also advised them to encourage their customers to cease entering into new financial contracts that reference LIBOR as a benchmark as soon as practicable and latest by December 31, 2021.Banks/financial institutions are also advised to incorporate robust fallback clauses, preferably well before the respective cessation dates, in all financial contracts that reference LIBOR and the maturity of which is after the announced cessation date of the respective LIBOR settings, including for the new contracts entered into before December 31, 2021

After this date, contracts referencing certain USD LIBOR and MIFOR may be undertaken only for certain specific purposes such as transactions executed to support risk management activities such as hedging, required participation in central counterparty procedures, market-making in support of client activities or novation transactions in respect of transactions executed on or before December 31, 2021

Markets
JPMorgan is a member of the work-stream discussions carried out by IBA and has been actively involved in decisions regarding fallback mechanism and new curve development. Financial Benchmarks India Pvt Ltd (FBIL) has developed Adjusted MIFOR for legacy contracts which would replace the LIBOR component in MIFOR with an All-in Fallback Rate. The all-in Fallback Rate for LIBOR will be computed by adding Adjusted SOFR and a Spread Adjustment. Adjusted SOFR will be published by Bloomberg and will be the Overnight SOFR rates compounded in arrears for respective tenors. In addition, the Spread Adjustment methodology will also follow Bloomberg's IBOR Fallback Risk Adjustment Rule Book wherein the historical median spread between Adjusted SOFR and LIBOR for 5-year lookback period will be taken. The forward component in MIFOR would continue to be the USD/INR Forward Premia as used currently. The details on methodology for Adjusted MIFOR can be accessed from FBIL's website (https://www.fbil.org.in)

Trade Products
The Libor phasing out also impacted uncommitted trade products, facilities and services ("Trade Products [1]") that utilize an IBOR Reference Rate as benchmark. JP Morgan Chase bank N.A (" Bank") established a Firmwide LIBOR Transition Program (the "Program") in early 2018. On 8 July 2021, RBI issued a circular on Roadmap for LIBOR Transition wherein they encouraged banks and financial institutions to cease and also advised them to encourage their customers to cease entering into new financial contracts that reference LIBOR as a benchmark as soon as practicable and latest by December 31, 2021. On September 28, 2021, RBI issued a Circular and permitted AD banks to use any other widely accepted/Alternative reference rate in the currency concerned for interest payable in respect of export/import transactions.

- **USD Loans :** With effect from October 25, 2021 for USD LIBOR, an alternate rate has been adopted. In the case of Trade Products denominated in USD, the alternate rate to USD LIBOR selected by the Bank is the "CME Term SOFR Reference Rate" ("Term SOFR") as administered by CME Group Benchmark Administration Ltd ("CME"). In light of the separate methodologies used in calculating USD LIBOR and Term SOFR and the differences observed between the published rates of the two benchmarks, the Bank has opted to use a credit spread adjustment (“CSA”) in order to minimize value transfer to the extent possible and leave the existing margin applicable to Trade Products unchanged, unless a Repricing Event[2] has happened. The CSA used by the Bank is based on the average of the differences between USD LIBOR and Term SOFR over a 12 month period (June 30, 2020 – July 1, 2021) and will be added to Term SOFR.

- **EUR Loans :** With effect from August 9, 2021, for EUR Libor, unless otherwise agreed with the Bank, any request for a future or continued utilization of a Trade Product denominated in EUR shall use EURIBOR administered by the European Money Markets Institute as the benchmark rate for pricing purposes.
- **GBP Loans :** With effect from 5 April 2021, for GBP Libor, unless otherwise agreed with the Bank, any request for a future or continued utilization of a Trade Product denominated in GBP shall use a Term SONIA administered by Refinitiv Benchmark Services (UK) Limited as the benchmark for pricing purposes.
- **JPY Loans :** With effect from August 9, 2021, for JPY Libor, unless otherwise agreed with the Bank, any request for a future or continued utilization of a Trade Product denominated in JPY shall use Euroyen TIBOR administered by the Ippan Shadan Hojin JBA TIBOR Administration as the benchmark rate for pricing purposes.

To facilitate the transition, the Bank amended the Agreement(s) which currently use USD LIBOR and/or other IBOR Reference Rates in respect of GBP, EUR and JPY as the reference rate for purposes of pricing a utilization of the Trade Products, with an addendum containing details of the applicable replacement rate, the CSA (as applicable to Trade Products denominated in USD) and any additional terms applicable to any future utilization or continued utilization of a Trade Product denominated in USD, GBP, EUR and/or JPY under the Agreement(s).

1 Trade Products refers to trade products, facilities and services including, but not limited to, documentary credit issuance, confirmation, negotiation, prepayment, purchase, bank guarantees and standby letter of credit issuance, documentary collections, corporate draft discounting and other trade loan facilities, processing, products and services.

2 Repricing Event means the successful negotiation between parties of a new margin applicable to utilizations aimed at eliminating the use of the Credit Spread Adjustment.