

STIBOR Post Publication Re-determination Policy
November 2021

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1 Introduction

This policy has been developed to outline the steps SFBF, as administrator of STIBOR, will take in situations where erroneous STIBOR data has been discovered to have been published. The rationale in respect to developing this re-determination policy balances the inconvenience to end-users of a re-determination (and the potential for market disruption) with the overriding requirement that STIBOR must be an accurate reflection of the underlying economic reality that it is designed to measure.

Variations beyond a prescribed threshold would trigger a re-determination and distribution of new STIBOR values (re-determined values).

Re-determination of rates will only take place on the day of publication and within a timeframe determined by SFBF and endorsed by the STIBOR Oversight Committee (OC).

This policy describes;

- Governance of the policy
- Rationale for re-determination
- Examples of erroneous data and STIBOR calculation errors
- Thresholds for re-determination
- Processes and procedures for re-determination
- Notifications to the market
- Record keeping

2 Governance

The re-determination policy is approved and adopted by the SFBF Board after endorsement or recommendation for improvement by the STIBOR Oversight Committee. The policy will be reviewed annually or when needed.

The Secretariat will oversee all operational procedures, and in the case of a re-determination will manage the processes in accordance with this policy.

Panel Banks, through their responsibilities outlined in the Panel Bank Code of Conduct, will be responsible for ensuring that any errors in Input Data are reported to SFBF in accordance with this policy.

3 Rationale for Re-determination Policy

In the case that SFBF publishes STIBOR rates that do not accurately reflect the calculation methodology, and which would have a material effect on the users of the STIBOR, a re-determination of affected rates will allow any material errors to be corrected within a reasonable timeframe.

3.1 Examples of Potential Errors in the STIBOR Publication

The two principal reasons why the STIBOR values published, during the normal course of operations, may be erroneous are detailed in 3.1.1 and 3.1.2 below.

3.1.1 CALCULATION AGENT (CA) SYSTEM CALCULATION ERROR OR DISTRIBUTION ERROR

The SFBF has policies and procedures to accurately capture Input Data from Panel Banks via secure connections.

Once collected, data validation processes check the Input Data for anomalies. The Helpdesk will, if required under its procedures, check any anomalous submissions directly with the Panel Bank and seek clarification on the validity of the Input Data.

The Helpdesk checks that the methodology is correctly applied via manual checks and compares this to the calculations made by the Calculation Agent (CA) System. Once these checks are completed the final STIBOR rates are distributed to information vendors for publication. Checks are made at the time of publication to ensure that published rates correspond with the CA System and manual calculations.

Errors in the procedural calculation steps taken by the CA System, and the manual comparison checks made by operators could lead to errors in publication.

The CA System may, due to internal systems errors, publish rates different from those calculated and displayed to operators.

These errors would be discovered by verification checks against rates published by vendors and the CA System displayed rates.

3.1.2 PANEL BANK ERROR WHEN SUBMITTING INPUT DATA

Erroneous Input Data by one or more Panel Banks may cause the final STIBOR rate/s to be considered "materially altered" after the calculation methodology is applied.

Panel Banks are required to meet the Input Data rules as defined in the Panel Bank Code of Conduct. Panel Banks are required to have policies and procedures to ensure Input Data meets the criteria set down by SFBF.

Broadly, there are two potential opportunities for erroneous Input Data;

- I. Panel Banks have erroneously contributed Level 3 and adjusted Bid to Offer spread Input Data to the CA System and have not been able to remediate prior to the cut off time for contribution or have discovered this after the calculation methodology has been applied
- II. Panel Banks have erroneously reported transaction/s Input Data to the CA System and could not be remediated prior to the cut off time for reporting or have discovered this after the calculation methodology has been applied

4 Threshold for Re-determination

SFBF and the OC have considered the implications of a re-determination of one or more STIBOR tenor rates sometime after publication and the impact on users of STIBOR in making such a change.

The OC has determined that beyond an agreed threshold for each STIBOR tenor, a re-determination should take place for any affected tenor.

The thresholds for a re-determination for each tenor value are as follows;

4.1 STIBOR Tenor Threshold Levels

T/N	> +/- 2 basis points
1 week	> +/- 2 basis points
1 month	> +/- 2 basis points
2 months	> +/- 2 basis points
3 months	> +/- 2 basis points
6 months	> +/- 2 basis points

4.2 Variations to Threshold Levels

The OC is responsible for making recommendations to the Board for changes to the STIBOR threshold levels. Once approved by the Board, the re-determination policy will be updated, and all stakeholders notified of the changes and the date when the changes will become effective.

4.3 Example of Threshold Application

The following is an example of how the re-determination policy would be applied:

- The one-month tenor has been calculated based on all Input Data (for the one-month tenor) provided by Panel Banks. The rate -0.250 has been calculated and published at 11:00am.
- A Panel Bank contacts the Helpdesk after the calculation and publication and informs that they have provided erroneous Input Data for the one-month tenor. In this example Level 3 Cost of Funds rate. They provide new Input Data for the one-month tenor.
- The one-month tenor is recalculated, replacing the erroneous tenor value from the Panel Bank with the revised value.
- The new value for the one-month tenor is calculated at -0.280. The threshold for the one-month tenor is +/- 0.02
- This new value exceeds the change threshold and will result in the new value of -0.280 being published as a re-determined rate.

5 Process for Re-determination

The re-determination process will have the following phases.

Benchmark	Timings	Actions
STIBOR	11:00am – 1:00pm	Notification of erroneous input data or STIBOR rates
STIBOR	1:00pm – 2:00pm	Checks to determine if a recalculated tenor rate exceeds the threshold for re-determination
STIBOR	2:00pm	If the threshold is exceeded, notification issued to market that a re-determination of a tenor rate/s will take place
STIBOR	3:00pm	SFBF will publish re-determined rates

5.1 Notification of Erroneous Input Data by Panel Banks or the Benchmark Calculations

Panel Banks have a responsibility, as set out in the Code of Conduct, to notify the Helpdesk immediately on discovery of erroneous Input Data.

Panel Banks will be able to notify the Helpdesk of any erroneous Input Data for the purposes of a re-determination calculation any-time after the initial publication and prior to 1:00pm each day. Any other erroneous Input Data reported outside of the notification period will be documented and presented to the OC for consideration in the context of continuous improvement measures. A summary of such erroneous Input Data will be also published on the SFBF website at www.swfbf.se on a quarterly basis following presentation to the OC.

5.2 Method of Notification

There are two potential opportunities for the method of notification;

- I. Prior 1:00pm – Panel Banks have a responsibility to contact the Helpdesk immediately on discovery of erroneous Input Data to obtain instruction and their action.
- II. After 1:00pm and any future date - Panel Banks have a responsibility to contact the Helpdesk immediately on discovery of erroneous input data. Panel Banks will provide details of the original L3 COF and modified Bid to Offer spread tenor rate/s supplied and the corrected rate via a template provided by the Helpdesk for this purpose. The Panel Banks will need to provide authorisation from a submitter and approver and a senior representative of the Panel Bank. On receipt of the template Helpdesk will contact the Panel Bank and confirm the corrected rate/s. Panel Banks will be instructed by the Helpdesk to provide correction for submitted transaction/s.

Determination of Corrected STIBOR Rates Erroneous Input Data corrected prior 1:00pm will be used for recalculation.

5.3 Threshold Comparison

Benchmark Ops Managers will compare the recalculated STIBOR rates against the published values and determine if the threshold for re-determination has been exceeded.

In the case that the value does not meet the threshold, no further action will be taken, and no re-determination will occur. In the case that the threshold has been exceeded, preparations for the next steps in the re-determination process will be activated.

5.4 Market Communication

SFBF will communicate to the market as soon as a re-determination is required, but no later than 2:00pm.

The means of communicating that a re-determination will take place includes;

1. An update on the SFBF website.
2. Communicating with information vendors to advise of a re-determination and for them to advise their customers via market alerts of a re-determination.

5.5 Publication of Re-determined Rates

SFBF will republish all re-determined STIBOR rates at 3:00pm.

6 Reporting

6.1 CA System Calculation Error or Distribution Error

Any incidents of calculation error or distribution error will be documented and reported to the OC for consideration.

6.2 Panel Bank Reporting

The SFBF will request further information from the Panel Bank that provided erroneous Input Data, and this will be evaluated by the Secretariat and will be reviewed by the OC. Panel Banks must provide a root cause analysis of the error and procedures it intends to put in place to rectify the situation in the future.

6.3 SFBF Records

The SFBF will store the original published STIBOR rates and the re-determined rates. The final re-determined rate will be published and represented for all analytical purposes as the official STIBOR rate for that day. SFBF will keep records of the Panel Banks notification of erroneous Input Data, recalculation, and redetermination in accordance with the SFBF 14005 Record Keeping, Retention and Destruction policy.

The SFBF will keep records of the following specifically related to this policy;

- Communications with the Panel Bank that advised of erroneous Input Data
- Template with corrected Level 3 rates and internal sign off by the Panel Bank
- Procedural steps and internal sign-off by Benchmark Ops Manager and or the Oversight Manager on SharePoint
- Internal communication confirming the re-determination
- Incident report regarding re-determination.

7 Effect

These procedures detailed in this document shall come into force on 15 November 2021.