



兆豐國際商業銀行

Mega International Commercial Bank

USD LIBOR Termination Notice

Date: October 29, 2021

Mega International Commercial Bank Silicon Valley Branch (the Branch) hereby provides our customer this important notice of impending changes to the USD London Interbank Offered Rate (LIBOR).

In March 2021, LIBOR's administrator and regulator have confirmed the endgame for LIBOR. The ICE Benchmark Administration (IBA) will cease publication of the one-week and two-month USD LIBOR tenors immediately after December 31, 2021, and the remaining tenors immediately after June 30, 2023.

U.S. federal banking regulators have encouraged banks to cease entering into new contracts that use USD LIBOR as soon as practicable and in any event by December 31, 2021.

In June 2017, the Alternative Reference Rates Committee (ARRC) identified SOFR as the recommended alternative reference rate for USD LIBOR. SOFR is a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities (each a repurchase or repo transaction).

How is SOFR calculated and its spread adjustments?

SOFR is calculated as a volume-weighted median of transaction level tri-party repo transaction data, General Collateral Finance repo transaction data and data on bilateral U.S. Treasury repos cleared through Fixed Income Clearing Corporation's delivery-versus-payment service provided by DTCC Solutions LLC. Since SOFR is an overnight rate, various methods have been developed by the markets to derive the interest rates for loans and other financial contracts with longer tenors. Please find the summary of options available in the SOFR market.

Term SOFR (Recommended by ARRC)	Forward looking rate set in advance and accruing during the current period.
Daily SOFR Compounded in Arrears	Compounded average of Daily SOFR rates calculated in arrears
Daily Simple SOFR	Daily SOFR rates calculated in arrears
SOFR in Advance	Historical averages of SOFR calculated on either a simple or compounded basis
Credit Sensitive Rates	Forward looking rate set in advance and accruing during the current period

As noted by the ARRC, USD LIBOR and SOFR have different characteristics, and where a USD LIBOR contract is falling back to SOFR, a spread adjustment will be added to make the rate more comparable to LIBOR. The ARRC's recommended spread adjustments that were fixed on March 5, 2021 for non-consumer cash products are the same as the International Swaps and Derivatives Association (ISDA)'s spread adjustments for USD LIBOR.



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Benchmark Spread Adjustments			
LIBOR	Tenor	Spread Adjustment (%)	LIBOR Cessation Date
USD	Overnight	0.00644	June 30, 2023
USD	1 Week	0.03839	December 31, 2021
USD	1 Month	0.11448	June 30, 2023
USD	2 Months	0.18456	December 31, 2021
USD	3 Months	0.26161	June 30, 2023
USD	6 Months	0.42826	June 30, 2023
USD	12 Months	0.71513	June 30, 2023

Where can I get updates regarding the ARRC and the USD LIBOR transition process?

The ARRC periodically published newsletter with key news updates relating to the USD LIBOR transition and can be found [here](#).

Is the Branch actively working on the transition away from USD LIBOR?

Yes. In an effort to mitigate the risks associated with a transition away from USD LIBOR, the Branch has undertaken initiatives to: (i) develop more robust fallback language and disclosures related to the USD LIBOR transition, (ii) use updated fallback language in new contracts and seek to amend certain legacy contracts to reference such fallback language or alternative benchmark rates, (iii) leverage the systems enhanced by Head Office to support new contract linked to alternative benchmark rates and (iv) prepare and disseminate internal and external communications regarding the USD LIBOR transition.

Additional Resources

Follow these links for news and other resources from some of the key industry participants in USD LIBOR transition:

[Alternative Reference Rates Committee \(ARRC\) \(US\)](#)

[Loan Syndications & Trading Association \(LSTA\) \(US\)](#)

[International Swaps and Derivatives Association \(ISDA\)](#)

For Chinese, please check [兆豐銀行 LIBOR 退場專區 \(megabank.com.tw\)](#)

For questions or inquiries related to the USD LIBOR transition, please reach out to our contacts listed below.

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