January 25, 2021

Intercontinental Exchange, Inc.
5th Floor
Milton Gate
60 Chiswell Street
London EC1Y 4SA
Via email: IBA@theice.com

RE: ICE LIBOR Consultation on Potential Cessation

Dear Intercontinental Exchange, Inc.:

BAFT (The Bankers Association for Finance and Trade) appreciates the opportunity to comment on the ICE LIBOR Consultation on Potential Cessation. BAFT is an international financial services industry association whose membership includes a broad range of financial institutions throughout the global community. As a worldwide forum for analysis, discussion, and advocacy in international financial services, BAFT's nearly 300 members provide leadership to build consensus in preserving the safe and efficient conduct of the financial system worldwide. BAFT member institutions have been working steadily to prepare for the transition away from LIBOR. Recognizing the limited attention given to the unique characteristics and requirements necessary for trade finance products to transition, in January 2020 BAFT formed a global working group to assess and address the challenges that institutions will face during the transition.

BAFT welcomed the November 30 announcement of your intention to continue the publications of Overnight and 1, 3, 6, and 12 months USD LIBOR settings until June 30, 2023. We view the proposed cessation extension of several key USD LIBOR tenors as a positive step that will mitigate some of the challenges that the trade finance industry faces as it transitions away from LIBOR.

Trade financing assists customers with direct financing of their commercial activities with buyers and suppliers to meet their domestic and international financing requirements and cross border import and export finance requirements, risk mitigation and improving working capital efficiency. Trade finance exposures are diverse in nature, shorter in tenor, self-liquidating and exhibit different terms and payment patterns than other corporate banking products. Trade

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transactions have multiple counterparties across different client segments which include consumers, top tier local corporates, large multinational corporations, global suppliers, financial institutions and government agencies. Trade is essential to GDP growth and supports commercial flows and supply chain sustainability globally. In 2019, global trade flows totaled $18.1 trillion, with an estimated $9.77 trillion of that sum comprised of bank intermediated trade. USD is the world's most utilized currency for trade and accounted for 42.22% of global trade activity in 2019.

LIBOR has long been the default benchmark interest rate for trade finance, with USD LIBOR serving as the most widely used benchmark across the trade finance industry globally. Trade finance products broadly reference LIBOR term rates due to their transparency of pricing and certainty of funding costs. This element is critical, especially for financing offered at a discount, where the value of the discount needs to be determined at the start of the transaction. The appendix that follows this letter provides an overview of the different types of trade finance products that currently reference USD LIBOR.

The transition away from USD LIBOR will have a deep impact across a variety of trade products. Our members are particularly concerned with trade finance transactions that are offered on a discount (interest deducted upfront) basis e.g. supply chain finance products, where the lender "buys" the receivable from the suppliers, less the discount cost. In order to determine the fair market value of the receivables to be sold, the Net Face Value (NFV) of discounted trade finance products need to be priced upfront. Particularly on Trade Finance Payable (Buyer-Led) side, businesses that rely on these products typically do not have access to market curves, are price sensitive and thus less suited to the compound in advance or compound in arrears approach. Hence, for the lenders to be able to continue to offer this funding solution widely relied on by many corporates globally, forward- looking term rates are essential (interest cannot be deducted upfront if it is not known at the time of funding and fixed through to the maturity). In addition, there is an active secondary market for trade finance assets, which provides liquidity as well as risk mitigation and mostly replicates the methodology of the underlying asset being sold. Therefore, in the secondary market, if the underlying transaction is discounted, the sale between the existing financing party and the new party will also be discounted. In order for the secondary market to continue to function efficiently, both parties (often two financial institutions) need to be able to determine a mutually agreeable third-party rate to apply to the discount.

We expect that the extension of various tenors of USD LIBOR, as proposed, would result in a smoother transition with less sudden disruption for the market. While the industry would prefer the continuation of all tenors (including one week and two month) USD LIBOR until June 30, 2023, the tenors outlined for extension represent the majority of tenors utilized by the industry. The proposed deferral would provide additional time for products with discounting mechanism to move away from LIBOR, as the industry awaits the expected creation of term SOFR by the end of the second quarter of 2021.

The proposed extension is not without its challenges and we understand that the deferral is contingent on panel banks committing to making submissions beyond 2021. We seek confirmation that panel banks will be compelled to submit the rate beyond 2021 in order to assure reliability, stability, and accuracy of the remaining rates that will still be in publication.

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We would also want to emphasize the need to maintain the representativeness of LIBOR beyond 2021, as the industry relies on data points available to construct the curve and to calculate interpolated LIBOR based on the actual receivables asset tenor. If 1-week and 2-month LIBOR indeed cease by December 31, 2021, the Supply Chain Finance industry seeks clarity on the ability to use available LIBOR tenors beyond 2021 to discount the receivables until such time as the industry has fully transitioned to an alternative rate.

BAFT looks forward to learning the outcome of this consultation and to continued publication of Overnight and 1, 3, 6, and 12 months USD LIBOR settings until June 30, 2023. We appreciate you taking into account our response. Should further information regarding or discussion of any of these matters be desired, please do not hesitate to contact Diana Rodriguez, Vice President, International Policy at drodriguez@baft.org.

Very truly yours,

Tod R. Burwell

Tod R. Burwell
President and Chief Executive Officer

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Appendix: Trade Finance Product Use of LIBOR

<table>
<tr><th colspan="4">Discounted Trade Finance Products</th></tr>
<tr><td colspan="4">Characteristics: Principle amount payable on a fixed maturity date; no stated interest component interest is deducted in advance, i.e. Net Proceeds payable on financing date = Principle Amount minus Discount Calculation (can be Straight Discount basis or Discount to Yield basis)
Discount calculation has to be done at the outset based on a forward-looking term rate</td></tr>
<tr><td></td><td>Trade Finance Payable (Buyer-Led)</td><td>Promissory Notes / Bills of Exchange</td><td>Trade Finance Receivables (Supplier/Seller-Led)</td></tr>
<tr><td>Trade Product Description</td><td>Buyer issues Irrevocable Payment Undertaking (IPU) to pay on a due date creating an irrevocable legal, valid, and binding obligation.

Based upon IPU, bank offers Supplier the option to receive amount early, at a discount.

Bank collects the full value of the payment from the Buyer at maturity

Disclosed to both parties: Buyer and Suppliers/Sellers

Discount Period is usually based on a short-term tenor (t = up to 1 year)</td><td>Undertaking of Buyer (or Buyer’s Bank) to pay a fixed amount of funds on a due date

Underlying obligation to pay is documented via negotiable instrument

Bank pays net present value of the negotiable instrument upfront and recovers face value at maturity

Disclosed to both parties: Buyer and Suppliers/Sellers

Discount Period is usually based on a short-term tenor (t = up to 1 year)</td><td>Supplier/Seller approaches their Bank to discount their trade receivables (pool or discrete structure) upon shipment of goods.

Supplier sells to a Bank net Receivables/Invoices of goods & services that have already been provided. Bank purchases the Receivables. Supplier receives an early payment of the invoice's discounted net face value (NFV) upfront. At invoice maturity date, Supplier receives payment from their Buyers/Obligors and remits such payment to the Bank that has purchased the invoices.

Usually the program is undisclosed to the Buyers/Obligors. These receivables could be on open account basis in favor of its supplier

Discount Period is usually based on a short-term tenor (t = up to 1 year)</td></tr>
<tr><td>Market Bench under current scenario</td><td colspan="3">Client pricing:
LIBOR plus Applicable Margin
Interpolated LIBOR for the actual duration of the underlying trade receivables
(for example 67 / 82 / 132 days) - thus need to interpolated LIBOR for the relevant period</td></tr>
<tr><td>Current Interest Calculation</td><td>Net Proceeds = Invoice Face Value – Discount

Discount = Net Face Value * (Reference Rate + Applicable Margin * (t / 360 days))

Reference Rate can be IBOR or the funding Bank's Cost of Fund</td><td>Net Proceeds = Invoice Face Value – Discount

Discount = Net Face Value * (Reference Rate + Applicable Margin * (t / 360 days))

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</table>

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<table>
<tr><th colspan="5">Loan-type Trade Finance Products:</th></tr>
<tr><td colspan="5">Characteristics:
Principle and interest payable on stated dates; interest component is clearly stated
Interest is payable in arrears (can be either at maturity or also at predetermined refix dates)
interest can be calculated on a backward-looking basis, but removes certainty for borrowers at the outset of the financing regarding how much interest they will be paying</td></tr>
<tr><td></td><td>Trade Loans</td><td>Banker Acceptance (BA) Financing</td><td>Import Loans</td><td>Payables or Receivables-backed Loans</td></tr>
<tr><td>Trade Product Description</td><td colspan="4">Number of clients (both corporates and correspondent banks) approach Bank for short term trade loans
These could be in form of import, pre shipment and/or post shipment loans
Interest is payable on such trade loans at fixed pre-determined intervals i.e. 3 / 6 / 12 months
Principal amount will be repaid at final maturity</td></tr>
<tr><td>Market Bench under current scenario</td><td colspan="4">Client pricing:
LIBOR plus spread
Standard market LIBOR benchmark
(for example overnight / 3 / 6 / 12 month LIBOR rates)</td></tr>
<tr><td>Current Interest Calculation</td><td>LIBOR Based</td><td>Spread over LIBOR</td><td>Standardized and Published Tenors</td><td>360 Day Market Convention</td></tr>
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