

For the avoidance of doubt, this document is in a non-binding, recommended form. Its intention is to be used as a starting point for negotiation only. Individual parties are free to depart from its terms and should always satisfy themselves of the regulatory implications of its use.

Loan Market Association

the authoritative voice
of the European market

It has been brought to our attention that the LIBOR rate for Swiss francs has fallen over recent weeks and we understand that on some days for some fixings it has been a negative rate.¹

In order to address this issue, members may wish to consider proposing an amendment to the definition of LIBOR and EURIBOR (if it is thought to be appropriate for euro) that would put a floor on the relevant rate in order that when calculating interest the margin is protected. Suggested amended drafting (in red) to the LIBOR and EURIBOR definitions are as follows:

"**LIBOR**" means, in relation to any Loan:

- (a) the applicable Screen Rate;
- (b) [(if no Screen Rate is available for the Interest Period of that Loan) the Interpolated Screen Rate for that Loan;] or
- (c) if:
 - (i) no Screen Rate is available for the currency of that Loan; or
 - (ii) no Screen Rate is available for the Interest Period of that Loan [and it is not possible to calculate an Interpolated Screen Rate for that Loan],

the Reference Bank Rate,

as of[, in the case of paragraphs (a) and (c) above,] the Specified Time on the Quotation Day for the currency of that Loan and for a period equal in length to the Interest Period of that Loan **and, if any such rate is below zero, LIBOR will be deemed to be zero.**

"**EURIBOR**" means, in relation to any Loan in euro:

- (a) the applicable Screen Rate;
- (b) [(if no Screen Rate is available for the Interest Period of that Loan) the Interpolated Screen Rate for that Loan;] or

¹ This note was originally issued on 12 September 2011. It was updated in July 2013 solely to conform the sample LIBOR and EURIBOR definitions to those adopted across the LMA suite of facility documentation in July 2013.

- (c) if:
- (i) no Screen Rate is available for the Interest Period of that Loan[; and
 - (ii) it is not possible to calculate an Interpolated Screen Rate for that Loan],
- the Reference Bank Rate,

as of[, in the case of paragraphs (a) and (c) above,] the Specified Time on the Quotation Day for euro and for a period equal in length to the Interest Period of that Loan **and, if any such rate is below zero, EURIBOR will be deemed to be zero.**