

## CALCULATION METHODOLOGY

### Overview

The ICE Swap Rate® (formerly known as ISDAFIX) benchmark represents the mid-price for interest rate swaps (the fixed leg) and swap spreads (the applicable mid-price minus a corresponding specified government bond yield), in various specified currencies and tenors and at particular specified times of the day.<sup>1</sup>

Each published ICE Swap Rate benchmark rate (each an “ISR Rate”) is calculated using eligible prices and volumes for specified interest rate derivative products, provided by trading venues in accordance with a “Waterfall” Methodology. The first level of the Waterfall (“Level 1”) uses eligible, executable prices and volumes provided by regulated, electronic, trading venues. If these trading venues do not provide sufficient eligible input data to calculate an ISR Rate in accordance with Level 1 of the Methodology, then the second level of the Waterfall (“Level 2”) uses eligible dealer to client prices and volumes displayed electronically by trading venues. If there is insufficient eligible input data to calculate an ISR Rate in accordance with Level 2 of the Methodology, then the third level of the Waterfall (“Level 3”) uses movement interpolation, where possible for applicable tenors, to calculate an ISR Rate. Where it is not possible to calculate an ISR Rate at Level 1, Level 2 or Level 3 of the Waterfall, then the Insufficient Data Policy applies for that ISR Rate.

IBA determines and publishes GBP SONIA Spread-Adjusted ICE Swap Rate settings in line with the methodology proposed by the Non-Linear Task Force of the Working Group on Sterling Risk-Free Reference Rates in its paper [“Transition in Sterling Non-Linear Derivatives referencing GBP LIBOR ICE Swap Rate \(ISR\)”](#).

IBA determines and publishes USD SOFR Spread-Adjusted ICE Swap Rate settings in line with the methodology proposed by the Alternative Reference Rates Committee in its white paper [“Suggested Fallback Formula for the USD LIBOR ICE Swap Rate”](#).

This document describes the “Methodology” used to calculate and determine the published values for the ICE Swap Rate. This Methodology is reviewed at least annually by the ICE Swap Rate & Term Reference Rates Oversight Committee, as documented in its Terms of Reference.

ICE Swap Rate is administered by ICE Benchmark Administration Limited (“IBA”), which is authorised and regulated by the Financial Conduct Authority for the regulated activity of administering a benchmark and is authorised as a benchmark administrator under the UK Benchmarks Regulation.

### Input Data Specifications and Criteria

The specifications and eligibility criteria for the applicable interest rate derivative products and for the prices and volumes provided in respect of these as input data for each ISR Rate are available at <https://www.theice.com/iba/ice-swap-rate>.

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<sup>1</sup> The various currencies, tenors and times are specified at <https://www.theice.com/iba/ice-swap-rate>. At present, USD SOFR ICE Swap Rate settings, USD SOFR ICE Swap Rate Swap Spread settings, and EUR €STR ICE Swap Rate settings are expected to be calculated using input data at Level 2 or Level 3 of the Waterfall (i.e. eligible dealer to client prices and volumes for specified interest rate derivative products displayed electronically by trading venues where available, and otherwise movement interpolation where possible for applicable tenors). IBA expects to use Level 1 input data (i.e. eligible, executable prices and volumes for specified interest rate derivative products, provided by regulated, electronic, trading venues) to derive these ICE Swap Rate settings when this is available in the future.

## Calculation steps

The calculation of each ISR Rate involves the following steps:

### Waterfall Level 1

1. IBA collects tradeable bid and offer prices and volumes available on the central limit order books of regulated, electronic trading venues in respect of a two-minute window before the relevant ISR Rate calculation (e.g. 10:58 to 11:00).
2. The two-minute window is divided into 24 blocks of five seconds each and a random snapshot time is selected for each of these five-second blocks (i.e. 24 snapshots).
3. A synthetic order book is created at each snapshot time by combining and ranking (by price) the eligible bids and offers from each trading venue. These prices (and the associated volumes) are used to calculate the volume weighted bid (“VWB”) and the volume weighted offer (“VWO”) of the prices that would result from filling a hypothetical trade of Standard Market Size (“SMS”)<sup>2</sup> on each side of the market. A volume weighted average mid-price (“VWAMP”) is then calculated from the VWB and the VWO.
4. Snapshots with insufficient tradable volume to fill the SMS, or that contain crossed or zero-spread bid and offer prices, are not included in the calculation. Remaining snapshots are ranked in order of their VWAMPs and the snapshots with a VWAMP above the 75<sup>th</sup> percentile or below the 25<sup>th</sup> percentile are also discarded.
5. If at least six snapshots remain, the VWAMPs from these snapshots are quality-weighted based on the difference between the VWB and the VWO and averaged, in order to determine the applicable ISR Rate.

### Waterfall Level 2

6. If fewer than six snapshots remain after Level 1, IBA will use dealer to client bid and offer prices and volumes displayed electronically by trading venues in respect of the same two-minute window to calculate the applicable ISR Rate.
7. The two-minute window is again divided into 24 blocks of five seconds each and a random snapshot time is selected for each block.
8. Where a trading venue provides prices from dealers for multiple categories of clients within a snapshot, IBA will select the prices from a single client category per dealer, based on the tightest spread and largest volume for each client category within the snapshot.
9. The selected, eligible bids and offers from each dealer from each trading venue are combined and ranked (by price) to create a synthetic order book at each snapshot time and any crossed bid and offer volume within the orderbook is discarded. The remaining prices and associated volumes are used to calculate the VWB and the VWO of the prices that would result from filling a hypothetical trade of SMS in the same manner as for Level 1, with the VWAMP also calculated in the same way.

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<sup>2</sup> The standard market size for each ISR Rate for Level 1 and Level 2 is specified at <https://www.theice.com/iba/ice-swap-rate>.

10. Illiquid snapshots are excluded in the same manner as for Level 1, and remaining snapshots are ranked in order of their VWAMPs and the snapshots with a VWAMP above the 75<sup>th</sup> percentile or below the 25<sup>th</sup> percentile are also discarded.
11. If at least six snapshots remain, the applicable ISR Rate is determined as the quality weighted average of the applicable VWAMPs in the same manner as for Level 1.

### Waterfall Level 3

12. If fewer than six snapshots remain after Level 2, IBA will apply movement interpolation (linear interpolation of the daily rate movement between adjacent tenors) to calculate the applicable ISR Rate, provided that such ISR Rate:
  - a) was calculated at Level 1 or Level 2 of the Waterfall (i.e. was not interpolated) on the previous publication day; and
  - b) has adjacent tenors that are one year shorter and one year longer than the tenor of such ISR Rate (thus movement interpolation can only apply to a limited number of ISR Rate tenors), each of which was not interpolated on both the previous and the current publication day.

### Insufficient Data Policy

13. If Level 3 does not generate the applicable ISR Rate, then the published Insufficient Data Policy<sup>3</sup> applies.

### Publication Days and Holiday Schedules

The days on which each ISR Rate is scheduled to be published, and the applicable publication time, are specified at <https://www.theice.com/iba/ice-swap-rate>.

### Errors and Republication

IBA has published a Republication Policy<sup>4</sup> which addresses situations where an error in Input Data or in the determination of an ICE Swap Rate is identified after the publication of the relevant price. For transparency, IBA publishes the number of times that each level of the Waterfall was used for each quarter on its website.

July 2024

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<sup>3</sup> Available at <https://www.theice.com/iba/ice-swap-rate>.

<sup>4</sup> [https://www.theice.com/publicdocs/ICE\\_Swap\\_Rate\\_Replication\\_Policy.pdf](https://www.theice.com/publicdocs/ICE_Swap_Rate_Replication_Policy.pdf)

## ANNEX

<b>EXPLANATION OF HOW ESG FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY</b>	
<b>Item 1.</b> Name of the benchmark administrator.	ICE Benchmark Administration Ltd
<b>Item 2.</b> Type of benchmark or family of benchmarks. <i>Choose the relevant underlying asset from the list provided in Annex II to Commission Delegated Regulation (EU)2020/1816.</i>	Fixed Income Corporate Benchmark
<b>Item 3.</b> Name of the benchmark or family of benchmarks.	ICE Swap Rate®
<b>Item 4.</b> Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p><b>Item 5.</b> Where the response to Item 4 is positive, please list below, for each family of benchmarks, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816.</p> <p>Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets.</p> <p>The ESG factors shall be disclosed at an aggregated weighted average value at the level of the family of benchmarks.</p>	
(a) List of environmental factors considered:	Selection, weighting or exclusion:
(b) List of social factors considered:	Selection, weighting or exclusion:
(c) List of governance factors considered:	Selection, weighting or exclusion:
<p><b>Item 6.</b> Where the response to Item 4 is positive, please list below, for each benchmark, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816, depending on the relevant underlying asset concerned.</p> <p>Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets.</p> <p>The ESG factors shall not be disclosed for each constituent of the benchmark, but shall be disclosed at an aggregated weighted average value of the benchmark.</p> <p>Alternatively, all of this information may be provided in the form of a hyperlink to a website of the benchmark administrator included in this explanation. The information on the website shall be easily available and accessible. Benchmark administrators shall ensure that information published on their website remains available for five years.</p>	
(a) List of environmental factors considered:	Selection, weighting or exclusion:

(b) List of social factors considered:	Selection, weighting or exclusion:
(c) List of governance factors considered:	Selection, weighting or exclusion:
Hyperlink to the information on ESG factors for each benchmark:	Not applicable
<b>Item 7. Data and standards used</b>	
(a) Data input. <i>(i) Describe whether the data are reported, modelled or sourced internally or externally.</i> <i>(ii) Where the data are reported, modelled or sourced externally, please name the third-party data provider.</i>	Not applicable
(b) Verification and quality of data. <i>Describe how data are verified and how the quality of those data is ensured.</i>	Not applicable
(c) Reference standards <i>Describe the international standards used in the benchmark methodology.</i>	Not applicable
<b>Date on which information has been last updated and reason for the update:</b>	16 February 2022 Date of first publication

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information in accordance with the relevant benchmark methodology. Benchmark or other information may be expanded (for example to cover more currencies or tenors), reduced, changed, discontinued or terminated at any time, including, without limitation, pursuant to applicable law, an order of a regulatory or other competent authority or procedures undertaken in accordance with applicable law, or because of factors beyond IBA's control. Benchmark or other information may cease to be representative of the economic reality or underlying market that they are or were intended to measure or represent, but that may not be grounds for IBA invoking a contingency procedure and, in the case of a benchmark listed as a critical benchmark, IBA may be required, pursuant to applicable laws or an order of a regulatory or other competent authority, to make changes and/or continue to publish the affected benchmark or other information. Use of a benchmark or other information may also be prohibited or restricted under applicable laws and regulation.

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