BANK OF THAILAND

THBFIX Fallback Rates Factsheet

May 2025

Benchmark fallback rates

Benchmark fallbacks or fallback reference rates are replacement rates that would apply to derivatives contracts referencing a particular benchmark. These would take effect if the relevant benchmark (e.g., USD LIIBOR or Thai Baht Interest Rate Fixing (THBFIX) etc.) becomes unavailable while market participants continue to have exposure to that rate. Specific fallback rates for certain interbank offered rate (IBOR) including THBFIX are set out in Supplement number 70 to the 2006 ISDA Definitions (the "Supplement 70 to the 2006 Definitions"), the ISDA 2020 IBOR Fallbacks Protocol[1] and the 2021 ISDA Interest Rate Derivatives Definitions (the "2021 Definitions").[2]

The discontinuation of THBFIX publication and the effective date of its fallback rate

For derivatives contracts that reference THBFIX, which relies on USD LIBOR in its computation, the Fallback Rate (THBFIX) would apply following a permanent cessation of USD LIBOR or a determination by the UK Financial Conduct Authority (FCA) that USD LIBOR is no longer representative of its underlying market, even if it continues to be published.

Due to the FCA announcement on 5 March 2021 that all remaining USD LIBOR tenors will either cease to be provided by any administrator or no longer be representative immediately after 30 June 2023, the publication of all THBFIX tenors which require USD LIBOR in the calculation will also be discontinued after 30 June 2023. For the purposes of the ISDA 2020 IBOR Fallbacks Protocol, Supplement 70 to the 2006 Definitions and 2021 Definitions (as applicable), an Index Cessation Event with respect to THBFIX occurred on 5 March 2021 by virtue of the FCA announcement and the fallback, namely "Fallback Rate (THBFIX)", will apply instead of THBFIX with effect from the first London Banking Day on or after 1 July 2023.

Benchmark fallback rate for THBFIX derivatives

Fallback Rate (THBFIX) is the fallback reference rate for THBFIX derivatives contracts which are subject to the terms of the ISDA 2020 IBOR Fallbacks Protocol, Supplement 70 to the 2006 Definitions or 2021 Definitions. Similar to THBFIX, Fallback Rate (THBFIX) represents the effective cost of borrowing Thai Baht synthetically by borrowing US Dollar for the same maturity and swapping out US Dollar in return for Thai Baht. However, unlike THBFIX which is calculated by using USD LIBOR, Fallback rate (THBFIX) uses Fallback Rate (SOFR), the fallback rates of USD LIBOR, in its calculation. Since Fallback Rate (SOFR) has already incorporated the relevant spread adjustments, the computation of Fallback Rate (THBFIX) does not need any additional spread adjustments.

[1] A protocol is a multilateral contractual amendment mechanism that is used to make standard amendments to ISDA documentation among adhering counterparties, providing an efficient way to implement industry standard contractual changes to legacy trades and avoiding the need to bilaterally negotiate the same amendments with each party individually.

[2] Capitalized terms used but not defined the factsheet shall have the respective meanings given to them in Supplement 70 to the 2006 Definitions.

For more details of Fallback Rate (THBFIX) calculation, please see THBFIX Fallback Rate Adjustments Rule Book.

The adoption of Fallback Rate (THBFIX)

ISDA has published Supplement 70 to the 2006 Definitions to include new fallbacks for certain IBORs which took effect since 25 January 2021. For THBFIX derivatives contracts executed before such effective date, market participants can incorporate the Fallback Rate (THBFIX) into their contracts by adhering to the ISDA 2020 IBOR Fallbacks Protocol. The Protocol enables market participants to incorporate the new fallbacks into their legacy non-cleared derivatives trades with counterparties that also opt to adhere to the Protocol. In addition, market participants can also include Fallback Rate (THBFIX) by bilaterally amending their legacy THBFIX derivatives contracts. THBFIX derivatives contracts referencing the 2006 Definitions that are executed on or after the effective date of Supplement 70 (i.e., 25 January 2021) will automatically incorporate the Fallback Rate (THBFIX).

Furthermore, on 11 June 2021, ISDA published the first version of the 2021 Definitions which brings the interest derivatives market up to date and into the digital age, enabling firms to easily access and navigate a consolidated set of definitions in electronic form. The 2021 Definitions substantively contain the triggers and fallbacks introduced by Supplement 70 to the 2006 Definitions. Consequently, Fallback Rate (THBFIX) is incorporated in THBFIX derivatives contracts referencing the 2021 Definitions as well.

Any usage of non-standard convention on contract agreement are to be bilaterally negotiated and agreed between counterparties, where additional cost may be incurred.

The publication of Fallback Rate (THBFIX)

Fallback Rate (THBFIX) is administrated by the Bank of Thailand (BOT) and calculated by Refinitiv. Fallback Rate (THBFIX) is published at 8.00 A.M. on Refinitiv screen <FBKTHBFIX>, and at 9:00 A.M. on BOT website, every Bangkok Business Day. The screen displays data as follows:

1. Fallback Rate (THBFIX) for 1-month, 3-month, 6-month tenors, labeled by a unique Original THBFIX Rate Record Day for each tenor.
2. Original THBFIX Rate Record Day which is the day corresponding to original THBFIX fixing date of an Interest rate swap (IRS) transaction referencing THBFIX.
3. USDTHB spot rate, USDTHB forward points, number of days of USDTHB swap for each tenor that is corresponding to the Original THBFIX Rate Record Day.
4. Original IBOR Rate Record Day of Fallback Rate (SOFR).

Fallback Rate (THBFIX) is the backward-looking interest rate as it utilizes Fallback Rate (SOFR) in the calculation. This means that Fallback Rate (THBFIX) for each IRS corresponding period is published on two Bangkok Business Days prior to the IRS payment date. In addition, there could be multiple rates of Fallback Rate (THBFIX) of the same tenor with different Original THBFIX Rate Record Day published on the same day. Hence, to calculate interest payment, users could observe Fallback Rate

(THBFIX) with the Original THBFIX Rate Record Day matching the original fixing date of the THBFIX derivatives contracts.

Fallback Rate (THBFIX) will only have contractual impacts after the THBFIX cessation.

The drawbacks from the usage of Fallback Rate (THBFIX)

Fallback Rate (THBFIX) will solely be used as a fallback rate for THBFIX legacy derivatives contracts. It cannot be used for referencing in any new cash and derivatives contracts; i.e. it is untradable neither as an outright interest rate swap or as part of a basis swap. Therefore, market price of Fallback Rate (THBFIX) derivatives is unavailable neither for marking-to-market or for unwinding the existing contracts. Broker screens publishing prices of derivatives referencing Fallback Rate (THBFIX) are strongly discouraged, and therefore also expected to be unavailable.

In addition, Fallback Rate (THBFIX) will be permanently discontinued after 2025. Therefore, the usage of Fallback Rate (THBFIX) should be minimal. Market participants should actively transition their THBFIX legacy contracts to Thai Overnight Repurchase Rate (THOR) before THBFIX cessation date (30 June 2023).

Valuation of derivatives referencing Fallback Rate (THBFIX)

Any fallback curves constructed and published by offshore brokers or data vendors (such as Bloomberg) are not to be interpreted as the only methodology nor should be taken as the market standard. There are various methodologies to construct valuation curves, used in the valuation of Fallback Rate (THBFIX) derivatives. Market participants are to exercise their own discretion in choosing and applying such curve construction methodology. As a result, this may lead to market participants arriving at different valuation results of the same derivative transaction.

The last publication date of Fallback Rate (THBFIX)

Fallback Rate (THBFIX) will be permanently discontinued after 2025. The last publication date is expected to be 30 December 2025 and the corresponding Original THBFIX Rate Record Day for each THBFIX tenor is expected to be as follows.

	1-month	3-month	6-month
Original THBFIX Rate Record Day *(Subject to change due to an announcement of Bangkok holidays)*	3-Dec-2025	2-Oct-2025	3-Jul-2025

The fallback rates of Fallback Rate (THBFIX)

According to the terms of Supplement 70 to the 2006 Definitions, the 2021 Definitions and the ISDA 2020 IBOR Fallbacks Protocol, upon permanent cessation of Fallback Rate (THBFIX), the fallback reference rate after the Fallback Index Cessation Effective Date with respect to Fallback Rate (THBFIX) will be the BOT Recommended Rate. If there is no BOT Recommended Rate or the BOT Recommended Rate has been permanently discontinued, the next fallback reference rate will be

THOR provided by BOT to which the Calculation Agent shall make such adjustments as are necessary to account for any difference in term structure or tenor of THOR by comparison to Fallback Rate (THBFIX) and by reference to the BOT THBFIX Fallback Rate Adjustments Rule Book. However, BOT will not recommend any rate as the replacement rate of the Fallback Rate (THBFIX). As a result, the legacy THBFIX derivatives contracts will subsequently reference self-compounded THOR without additional spread adjustment after the Fallback Rate (THBFIX) is discontinued in December 2025. For the replacement rate to closely align with the original benchmark rate, the compounding period of THOR should end two Bangkok Business Days prior to each payment date of the original contract. For a non-deliverable IRS, the observation shift of two Bangkok Business Days should be applied regardless of payment calendar and settlement currency. For Cross-currency basis swaps (CCS) involving another currency, fallback provisions should be applied independently to each leg. For example, in a THBFIX vs USD LIBOR CCS, the USD LIBOR leg could reference fallback rates and methodology defined by the ISDA/Bloomberg IBOR Fallback Rate Adjustments Rule Book, while the THBFIX leg could follow the BOT THBFIX Fallback Rate Adjustments Rule Book. In terms of the observation period shifts should also be applied separately for each leg, based on the good business day calendar of the currency involved.

Please find more details of a recommended calculation methodology in THBFIX Fallback Rate Adjustments Rule Book.