



On July 3, 2023, the Madrid, Spain based Board of the International Organization of Securities Commissions (IOSCO) announced the results of its Review of Alternatives to USD LIBOR. In its review of two credit-sensitive rates (CSRs) —one of which was AMERIBOR—and two Term SOFR rates, IOSCO determined (based on administrator’s self-assessments) that all four rates had some deficiencies in meeting all nineteen of IOSCO Principles for Financial Benchmarks. IOSCO also stated in the release that: “IOSCO notes that some market participants (primarily in the US markets) have referenced CSRs in contracts, particularly in certain lending products, and that CSRs may continue to be offered and used going forward, despite the conclusions of this Review.”

We recognize that you may have some questions about the IOSCO Review and AFX’s response, and we wanted to provide you with some important context and perspective:

- 1>** AFX has annually retained a top ten national risk and accounting firm to assess our processes, systems, and technologies and each time, and as recently as 2022, it has determined that AFX/AMERIBOR was in compliance with all nineteen IOSCO Benchmark Principles. IOSCO had not conducted any annual reviews of CSRs, leaving it to the individual firms to complete self–assessments.
- 2>** AFX is working diligently to address IOSCO’s newly raised concerns regarding AMERIBOR’s compliance with three of their nineteen principles and is confident in our ability to sufficiently address them based on the recommendations that AFX received from IOSCO.
- 3>** IOSCO has designed their benchmark principles in a way that leaves them open to interpretation by the firms seeking compliance. In particular, the benchmarks do not present specific, measurable standards that provide a minimum threshold or ratio from which to seek compliance.
- 4>** The industry’s evaluation of the IOSCO principles and firm compliance with them must consider the fact that the market for CSRs is in the earliest phase of implementation and market acceptance.
- 5>** While IOSCO is not a regulatory body, AFX will continue to conduct the required risk and quantitative analysis while working alongside US regulators. AFX objective is to comply with IOSCO’s nineteen principles for Financial Benchmarks.

The AFX cash platform is hosted by, and compliance for our Rule Book is managed by a CFTC regulated Designated Contract Market and AMERIBOR is calculated to meet US regulatory standards and compliance.

If you have any additional questions, please reach out to your account representative or to John Shay, CEO on jshay@theafex.com