

The background features two large, overlapping blue geometric shapes. One is a large triangle pointing downwards from the top right, and the other is a large triangle pointing upwards from the bottom left. They meet in the center, creating a white diamond-shaped negative space where the text is located.

IBOR Transition Communication Strategy Guideline

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The publication of IBORs (Interbank Offered Rate) commonly used throughout the world will be halted after 2021 and the reform will have broad effects on Banks, bank customers and service providers. There is more than USD 350 trillion worth of IBOR contracts (credit and derivative) throughout the world with approximately USD 200 trillion consisting of USD LIBOR contractsⁱ and banks will need a robust communication strategy with their stakeholders to accurately and effectively manage the effects of the transition. It is vital that all the parties are sufficiently informed about the IBOR transition. Failure to address the process with care from the start could result in an unsuccessful transition and ultimately cause a situation where the customers and the regulators are dissatisfied. To prevent such a situation from occurring it is important to develop a communication strategy where the required support is provided to the stakeholders and ensure that they are committed to the matter.ⁱⁱ

3 Summary

Establishing an effective communication strategy is the most important task on the part of Banks regarding the management the IBOR Transition's effects on the financial and real sector. This document addresses how Banks should support their customers during the transition process and which points they should take into consideration regarding their communication strategies.

Before preparing their communication strategies, banks should clearly understand the purpose of this strategy. The overview section of the communication strategy provides information on the structure of an effective communication strategy and discusses steps to prepare an effective communication strategy in the light of these points. Creating a structure for designing a comprehensive communication strategy together with the best practices across the sector are discussed and emphasis is made to the need to have the final output align with these practices.

4 Designing a Comprehensive Communication Strategy

4.1 Outlook on the Communication Strategyⁱⁱⁱ

Although the foundation of the communication strategy is based on developing customer-specific approaches in consideration of the customer segment and product types, the communication strategy should be flexible enough to adapt to market developments and customer needs that vary over time. Identifying segment-based customer communication channels will be key to effective communication during the IBOR transition. In this context, the broadest possible situation analysis should be made about the risk postures of customers. Banks should take the following into consideration in designing their communication strategies.

- i. Target audience knowledge and experience <<E.g., the knowledge level of large corporate customers compared to residential mortgage holders>>.
- ii. Details specific to product types <<E.g., various difficulties may arise as products are amended according to the type of contract >>.
- iii. Circumstances specific to the customer's geographical location and the market <<E.g., Banks should take into consideration the rules of the concerned market when making recommendations to customers in various countries>>.
- iv. Effective channel management to communicate with customers <<E.g., phone, e-mail, website>>.

Customer communication should be “clear, fair and not misleading” during the IBOR transition process.^{iv} The FCA (Financial Conduct Authority) in the UK emphasizes that information should be provided in advance to ensure that conscious decisions are taken. Furthermore, banks should explain to their customer what can be done about products based on the current reference rate with post-2021 maturity and how the fallback language will function. The best way to avoid risks related to the IBOR transition is to offer products based on the new alternative reference rate rather than products based on IBORs. At this point, when new offering alternatives for new products or to replace existing products, banks should also explain the benefits, costs and risks of such products.

The communication strategy and the terminologies to be used should be prepared in consideration of the customers' level of knowledge. When informing customers with insufficient level of knowledge about the matter, a balance should be kept between using significant terminologies and keeping the communication as simple as possible. So much that customers may have questions if terms not common on the market are used in the communication. For example, banks should consider whether the term “risk-free rate” is misunderstood and provide more content and details on this matter. Bank staff in contact with customers should be trained and their awareness should be raised on the effects of the LIBOR transition on customers. Following a broad training for all the relevant staff, banks should address the matter in more detail through trainings specific to the business unit <<E.g., customer relations, legal, compliance>>. Such trainings can also be provided through online seminars or daily updates. A training style involving classes and/or groups where scenarios can be discussed could be the most effective method for trainings on cases where more specialized staff directly contact customers.

The actions in the communication strategy should be closely monitored and their effectiveness observed during the IBOR transition process. They should be measured in consideration of targets specific to communication means and model. For example, banks can measure whether the information published on their website draws the attention that can be expected from such means of communication. Regarding how to trace the communications with customers, it may be possible to use the existing registration systems by making the necessary adjustments for the IBOR transition. The requirements should therefore be considered to keep the records of customer communications regarding the IBOR transition.

4.2 Highlights of the Communication Strategy^v

The aim of this guiding document is to provide guidance to banks on developing their communication and/or customer strategies. Banks may take the following points into consideration in planning a communication strategy accordingly;

- i. The communication and/or customer strategy of the bank should be designed and coordinated with clear schedules.
- ii. The communication channels to be used by the bank for large-scale communication should be identified.
- iii. Significant stakeholders to participate in the IBOR transition process should be identified.
- iv. Significant issues regarding the IBOR transition for which the bank will raise awareness and then communicate.
- v. Comprehensible training documents should be prepared that convey the significant issues regarding the IBOR transition to a broad range of customers. <<E.g., Frequently Asked Questions etc.>>.

4.3 Steps for an Effective Communication Strategyⁱⁱ

In-bank effect should be assessed and preparations should be made for the IBOR transition through staff training.

In the first stage of preparing an IBOR transition plan and communication strategy, an impact analysis should be conducted on which units will be affected the most from the IBOR transition and on the training and communication needs of the such units. The objectives, concerns and interests of in-bank stakeholders should be identified to determine the scope and level of detail required for in-bank training and communication. Furthermore, training and communication needs will vary depending on the extent to which each unit is related to the matter. All units should be informed on the main elements of the IBOR transition, the bank's transition schedule and approach, and how the transition will affect the units' roles and responsibilities.

A multi-channel communication strategy should be developed for customers, service providers and stakeholders.

Stakeholders should be kept updated and regularly informed about the IBOR transition depending on their objectives, concerns and interests. Banks should develop a multi-channel communication strategy to work proactively with their customers and inform them about the IBOR transition. Preparations should be made as part of the communication strategy to measure the awareness level regarding the IBOR transition particularly of customers holding currently signed written IBOR products with post-2021 maturities and new products to be released. A central follow-up system should be established that will ensure clear, consistent and transparent communication to improve customer experience and lack of information.

Service providers and partners should also be informed about the Bank's IBOR transition plans. Service providers should not be content with basic information on the IBOR transition and should understand how their processes will be affected by banks' transition plans. Banks and service providers should collaborate to correctly set up technical infrastructure and process management in the IBOR transition works. <<E.g., updating interface components in consideration of human, process and technology aspects>>. As part of an effective communication strategy, banks and their service provider stakeholders should contribute to joint works - provided that rules of competition are not violated - to ensure that the offered service meets expectations.

IBOR transitions plans should be prepared for submission to regulatory authorities.

Banks should be prepared to send the plans they prepare to regulatory and supervisory authorities. Putting into writing documents such as governance structure, roadmap, cornerstones and important activities will be helpful in establishing informative and constructive communication with regulatory and supervisory authorities during the IBOR transition.

The IBOR transition communication strategy should be comprehensive.

An effective communication strategy requires a comprehensive approach that addresses the objectives, concerns and interests of all the stakeholders. The communication strategy to be prepared should specify the suitable schedule, communication means, purposes and frequencies for each stakeholder. A communication strategy to be prepared with such an understanding will allow for developing a consistent and common understanding regarding the IBOR transition and the transition to be completed successfully for all the relevant parties.

Communication is the building block of effective collaboration. The way will be paved for stakeholders to participate early if banks develop and effectively implement comprehensive communication strategies that comply with the rules of competition. The IBOR transition, which is vital for the sector, can thus be realized in a more coherent manner open to collaboration and partnership.

4.4 Good Practices Guideline^{vi}

Provision of the necessary information regarding the benefits, costs and risks of alternative reference rates to raise the consciousness of customers will be effective in ensuring customer satisfaction. The information to be provided should be adapted according to the relevant target audience in each customer segment and the individual conditions and knowledge level of customers should be taken into consideration. It should be taken into consideration that the IBOR transition agenda changes quickly and issues subject to potential change should be specified when communicating with customers. Banks should make sure that sufficient information is provided to customers, opportunity is given to customers to ask questions and last, that customer have comprehensive knowledge about the IBOR transition issues.

The following examples of good practices can be taken into consideration in the light of this information;

1	Each customer segment should be taken into consideration when information customers.
2	The communication should be performed timely to ensure customers give conscious decisions.
3	A consistent and transparent method should be determined for cases where there are differences of opinion on the market regarding calculation methods and supportive ideas and documents should be developed that this is a suitable method.
4	A continuous communication system should be developed to increase customer awareness and keep them updated about developments.
5	The staff in contact with customers should have full knowledge about the new products and be trained and support on the meaning of each alternative reference rate for customers.
6	Processes should be developed to make sure that customers understand the information conveyed to them.
7	It should be ensured that the staff in contact with customers do not provide advisory information.
8	Customers that can potentially suffer difficulties about the IBOR transition should be identified as soon as possible and communication should be prioritized with such customers.
9	Documents that need to be rearranged should be identified.
10	Alternative reference rates should be offered in a suitable range for customer assessments and a marketing and sales process observing customer suitability should be planned by proving all the necessary information.
11	As part of the communication strategy, customers should be contacted as soon as possible about the potential legal costs.
12	It should be ensured that the potential legal costs do not constitute an obstacle to the customer regarding the IBOR transition.
13	Proactive communication should be established with customers about operational works to ensure that customers can complete the IBOR transition.

5 Annexes

5.1 Sample Schedule

Customer Communication Strategy

In addition to understanding the preferences/readiness of customers, the customer communication strategy will help banks contact their customers to provide more information both on the market situation and the IBOR transition.

Phase 1 Communication:

- ✓ Customers' Outlook on the IBOR risk situation <<E.g., Customer portfolios, credit products / swaps etc.>>
- ✓ International market and regulator updates <<E.g., the ISDA protocol, BoE updates etc.>>
- ✓ Hypothetical customer portfolio addressing the potential financial effects of the IBOR transition and the differences between IBORs and alternative reference rates
- ✓ Detailed information on banks' IBOR transition strategy and schedules
- ✓ Questions to measure customer preferences and readiness to the IBOR transition
- ✓ Presentations emphasizing market developments and contract details for syndicated loans

Phase 2 Communication:

- ✓ Customer-specific packages based on the feedback in Phase 1
- ✓ Financial effect information to emphasize the potential effects of the transition to alternative reference rates
- ✓ Updating contracts in the context of the ISDA protocol
- ✓ Determining the steps if renegotiation is required legally

5.2 Abbreviations and Terminology

FCA	Financial Conduct Authority
BAT	The Banks Association of Turkey
CBRT	The Central Bank of the Republic of Turkey

IBOR	Interbank Offered Rate
LIBOR	London Interbank Offered Rate
FAQ	Frequently Asked Questions
TLREF	Turkish Lira Reference Rate

5.3 References

ⁱ [Reference Rates - Federal Reserve Bank of New York](#)

ⁱⁱ [LIBOR transition: Developing an effective communications strategy](#)

ⁱⁱⁱ [LIBOR Transition: Views on Client Communications](#)

^{iv} [See FCA Guideline 7. Principle](#)

^v [Sterling RfR Working Group - Sub-group on Outreach and Communication - Terms of Reference](#)

^{vi} [Transition from LIBOR for SME Customers](#)

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