



26 October 2021  
Ref.: 198/21

Mr. Damdin Khayankhyarvaa  
Chief Executive Officer  
Erdenes Mongol LLC  
14-15th Floor, Monnis Tower  
Chinggis Avenue 15  
1st Khoroo 9 Sukhbaatar District  
Ulaanbaatar, 15160, Mongolia

Dear Mr. Khayankhyarvaa:

**Re: Notification of the Alternative Reference Rates for ADB's Sovereign Operation Loans**

This letter relates to the notification of the new alternative reference rates in connection with the London interbank offered rate ("LIBOR") transition for the Asian Development Bank ("ADB").

In July 2017, the United Kingdom's Financial Conduct Authority ("FCA"), which regulates the administrator of LIBOR, announced its intention to phase out the reference rate by the end of 2021. On 5 March 2021, the FCA announced that the publication of LIBOR on a representative basis will cease for most settings immediately after 31 December 2021, and for certain United States dollar LIBOR settings immediately after 30 June 2023. As LIBOR is used as a reference rate for regular loans made from ADB's Ordinary Capital Resources under sovereign operations ("regular OCR Loans"), ADB has been preparing for the discontinuation of LIBOR to ensure an orderly transition to alternative reference rates for the benefit of ADB and its borrowers.

In October 2020 ADB's Board of Directors (the "Board") approved an amendment to the Ordinary Operations Loan Regulations Applicable to Regular Loans Made from ADB's Ordinary Capital Resources ("OCR Loan Regulations") to enable the reference rate transition of regular OCR Loans. In connection with this approval, ADB previously sought your consent to the application of the amended OCR Loan Regulations (the "Amendment Letter").

On 26 July 2021, the Board approved the reference rate transition for ADB's LIBOR-based loan product, including to rename it the Flexible Loan Product (FLP) (effective 1 January 2022) and the approach to transition the existing loan portfolio to be based on the terms of the FLP.

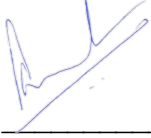
Subsequently, on 17 September 2021, the Board approved revised OCR Loan Regulations to give effect to the terms of the FLP (effective 1 January 2022). The revised OCR Loan Regulations

set forth the terms and conditions applicable to all new regular OCR Loans approved on or after 1 January 2022 and will be incorporated by reference in loan and guarantee agreements for such loans.

For all existing regular OCR Loans, and those which are under processing and are approved by the Board before 1 January 2022, ADB is providing the enclosed notification to transition such loans to the terms of the FLP from 1 January 2022 on a loan-by-loan basis. Unlike in the case of the Amendment Letter, ADB does not require your consent to the notification; however, we seek your continued support in implementing the transition process and the Board-approved revised OCR Loan Regulations.

For any questions, please contact Declan Magee, Principal Country Economist, East Asia Department at +976 11 313440 / 323507 / 329836 or at [dmagee@adb.org](mailto:dmagee@adb.org).

Sincerely,



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Pavit Ramachandran  
Country Director  
Mongolia Resident Mission

Enclosure: Notification

cc: Honorable Javkhlan Bold, Minister, Ministry of Finance  
Sunderiya Batjargal, Senior Lawyer, Erdenes Mongol LLC  
Batbold Gankhuu, Focal Point for Business and Strategic Planning Erdenes Mongol LLC



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14-15th Floor, Monnis Tower  
Chinggis Avenue 15  
1st Khoroo 9 Sukhbaatar District  
Ulaanbaatar, 15160, Mongolia

Dear Mr. Khayankhyarvaa:

Subject: **Loan 3385-MON: Erdenes Mongol LLC Strengthening Institutional Framework and Management Capacity Project  
Reference Rates Transition: Notice of New Reference Rate and Corresponding Changes to the Loan Regulations and the Loan Agreement**

1. We refer to the letter agreement ("Letter Agreement") dated 9 February 2021 between Asian Development Bank ("ADB") and Erdenes Mongol LLC ("Borrower") (enclosed). Based on regulatory guidance on the cessation of London Interbank Offered Rate ("LIBOR"), ADB has determined it is no longer commercially acceptable for ADB to continue to use LIBOR for the purposes of its asset and liability management from 1 January 2022. For this reason, on 26 July 2021, the Board of Directors ("Board") of ADB approved changes to ADB's LIBOR-based loan product and to rename it the Flexible Based Loan product ("FLP"). To implement the FLP, on 17 September 2021, the Board approved the revised Ordinary Operations Loan Regulations, which will become effective on 1 January 2022.

2. To give effect to the changes approved by the Board, this letter serves as notice to the Borrower under Section 3.02(c) of the applicable Loan Regulations (as defined in the Letter Agreement) incorporated, or to be incorporated, by reference into the loan agreement entered into by ADB and the Borrower ("the Loan Agreement" as further described in the Appendix). Specifically, this notice is intended to give effect to the application of the new reference rate and related changes to the provisions of the Loan Regulations and Loan Agreement as described in the Appendix.

3. Save and except to the extent set out in paragraph 2 of this notice and the Appendix, the Loan Agreement remains unchanged.

4. Pursuant to ADB's Access to Information Policy (2018), this notice will be posted on ADB's website.

5. The notifications set forth in this notice shall take effect on 1 January 2022.

If you have any questions, please contact Declan Magee, Principal Country Economist, East Asia Department at +976 11 313440 / 323507 / 329836 or at [dmagee@adb.org](mailto:dmagee@adb.org).

Yours sincerely,



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Pavit Ramachandran  
Country Director  
Mongolia Resident Mission

Enclosure: Letter Agreement dated 9 February 2021

cc: Honorable Javkhlan Bold, Minister, Ministry of Finance  
Sunderiya Batjargal, Senior Lawyer, Erdenes Mongol LLC  
Batbold Gankhuu, Focal Point for Business and Strategic Planning Erdenes Mongol LLC

### **Loan for which the Legal Agreement incorporates the 2001 Loan Regulations**

1. For the purposes of this Appendix, "Loan Agreement" means the loan agreement for Loan 3385-MON: Erdenes Mongol LLC Strengthening Institutional Framework and Management Capacity Project between the Borrower and ADB referred to in the Appendix of the Letter Agreement which incorporates by reference the 2001 Loan Regulations.

2. Each reference to "LIBOR" in the Loan Agreement shall be replaced with "SOFR".

3. Section 1.01 of the Loan Agreement is amended to include the following modifications to the 2001 Loan Regulations:

(a) The definitions of the following terms shall be deleted from Section 2.01: "Banking Day", "Financial Center", "LIBOR", "London Banking Day", "Reference Rate Reset Date", "Relevant Telerate Page" and "Target Settlement Day".

(b) The following new definitions shall be added to Section 2.01:

"Day Count Fraction" means, in respect of Dollar, Actual/360, Euro, 30/360, Yen, Actual/365 or such other Day Count Fraction which is customary for an Approved Currency or a Reference Rate, as determined by ADB;

"Relevant Rate Page" means the display page designated by an established financial market data provider selected by ADB as the page for the purpose of displaying at customary publication times the Reference Rate for the Loan Currency;

"SOFR" means, in respect of any Interest Period, the Secured Overnight Financing Rate for the period, that appears on the Relevant Rate Page at customary publication times specified by the applicable benchmark administrator, calculated on a compounded in arrears basis and expressed as a percentage per annum, as reasonably determined by ADB for the relevant Interest Period;

"TONA" means, in respect of any Interest Period, the Tokyo Overnight Average Rate for the period, that appears on the Relevant Rate Page at customary publication times specified by the applicable benchmark administrator, calculated on a compounded in arrears basis and expressed as a percentage per annum, as reasonably determined by ADB for the relevant Interest Period;

(c) The definition of "Euribor" in Section 2.01 shall be deleted and replaced by the following:

"Euribor" means, in respect of any Interest Period, the Euro interbank offered rate for six-month deposits in Euro, expressed as a percentage per annum, that appears on the Relevant Rate Page at the customary publication time as specified by the Euribor benchmark administrator in the Euribor benchmark methodology, as reasonably determined by ADB for the relevant Interest Period;

(d) The definition of "Reference Rate" in Section 2.01 shall be deleted and replaced by the following:

“Reference Rate” means:

- (a) except as ADB has otherwise made a determination in accordance with Section 3.02(c), in respect of:
  - (i) Dollar, SOFR;
  - (ii) Euro, Euribor;
  - (iii) Yen, TONA;
  - (iv) for a Loan Currency other than Dollar, Euro and Yen, such reference rate for the Loan Currency as specified or referred to in the Loan Agreement, or in the case of a Currency Conversion to such other currency, such reference rate as shall be determined by ADB in accordance with the provisions of Article V;

provided that, if the relevant Reference Rate is not available through the normal sources of information at the customary publication times in respect of the relevant Interest Period, ADB shall reasonably determine such Reference Rate taking into account the prevailing market practice with respect to alternative methods for calculating the Reference Rate, their market representativeness and acceptability to ADB for the purposes of its asset and liability management, and notify the Borrower accordingly; and

- (b) if a determination is made in accordance with Section 3.02(c), such other reference rate and any spread for the Loan Currency as ADB shall reasonably determine, and promptly notify to the Borrower and the Guarantor;
- (e) Section 3.04 shall be deleted and replaced by the following:

Section 3.04. **Computation of Interest and Other Charges.** Interest and other charges shall be computed on the basis of the number of days for a month and year of the applicable Day Count Fraction.

- (f) Paragraphs (a) and (b) of Section 5.05 shall be deleted and replaced by the following:

(a) **Interest Rate Cap.** Upon the establishment of an Interest Rate Cap on the Floating Rate, the Borrower shall, for each Interest Period during the Conversion Period, pay interest on the principal amount of the Loan withdrawn and outstanding from time to time to which said Conversion applies at said Floating Rate, unless such Floating Rate exceeds such Interest Rate Cap during said Conversion Period, in which case, for the relevant Interest Period, the Borrower shall pay interest on such principal amount at a rate equal to such Interest Rate Cap.

(b) **Interest Rate Collar.** Upon the establishment of an Interest Rate Collar on the Floating Rate, the Borrower shall, for each Interest Period during the Conversion Period, pay interest on the principal amount of the Loan withdrawn and outstanding from time to time to which said Conversion applies at said Floating Rate, unless such Floating Rate during said Conversion Period: (i) exceeds the upper limit of such Interest Rate Collar, in which case, for the relevant Interest Period, the Borrower shall pay interest on such principal amount at a rate equal to such upper limit; or (ii) falls below the lower limit of said Interest Rate Collar, in which case, for the relevant Interest Period, the Borrower shall pay interest on such principal amount at a rate equal to such lower limit.