CMI Standing Committee on General Average
Supplementary Report on YAR Interest Provisions
September 2022

Reference is made to the report presented to the online Assembly in September 2021 which mainly dealt with the General Average Guidelines and draft G/A security forms, a topic on which we already reported few days ago (17th September 2022).
However, the 2021 report also contained the SCs recommendations regarding a new form for the interest provisions (Rule XXI) in the York-Antwerp Rules 2004 and 2016. It may be remembered that a review at least of the latter is necessary because the text refers to ICE LIBOR, an interest rate index that is to be discontinued soon. And the 2004 version provides for a rate that requires annual research and determination by a special (small) SC – a lot of effort for a set of rules almost unused in practice which makes redrafting at least practical.

In principle the SC maintains the proposals made in 2021, but the wording has been slightly refined. It is now suggested to replace Rule XXI, para 2 of the YAR 2016 and 2004 with the following sentence:

> quote
> The rate for calculating interest accruing during each calendar year shall be 2 per cent per annum added to the USD Prime Rate, as published in the Wall Street Journal for the first banking day of that calendar year.
> unquote

Mainly the following reasons have guided the SC to this proposal:

1. One of the great advantages of LIBOR was that it was established for a variety of currencies. To our knowledge no other such index has emerged. For the sake of simplicity it is therefore recommended to turn to one index set up for a single leading currency. As the majority of G/A adjustments is drawn up in US Dollars the SC deems it sensible to look at a USD index.

2. The USD Prime Rate is a well established market index that has been in use for decades; it is an accepted reference in the United States but also in other markets. Its historic development has been similar to LIBOR in most currencies, although the Prime Rate has usually been about two per cent per annum higher than the LIBOR; this is the reason why the SC recommends an uplift of only two per cent on the Prime Rate compared to four per cent add-up on LIBOR as in the current Rule XXI of the YAR 2016.

3. Referring to the USD Prime Rate will further market uniformity. The Association of Average Adjusters of the US & Canada has a longstanding Rule of Practice providing (where G/A is under national law) for interest at USD Prime plus 2%, and the Nordic Marine Insurance Plan, which has a far reach also outside Scandinavia, is currently altered to refer to the USD Prime Rate as well.

4. The USD Prime Rate is not necessarily a uniform instrument. The Wall Street Journal is recommended as the most common and respected source in the market. The SC has been advised that even without such express determination this is what the normal user would turn to, but for the sake of clarity we suggest to mention it.

It should be noted once again that the above proposal was discussed and agreed with the SC on G/A Interest Rates.

Bremen, 22nd September 2022
Jörn M. Groninger
Chair