

ARRC Business Loans & CLOs Working Group

July 2018 Update

Working Group Background and Efforts

- More than 80 individual members representing sellside, buy-side, trade associations, borrowers and others
- Started in March 2018
- Co-chaired by American Bankers Association (ABA) and the Loan Syndications and Trading Association (LSTA)
- Initial effort: Develop potential ARRC-supported LIBOR fallback language for both syndicated and bilateral business loans

Reminder: Key Fallback Variables

- The Fallback “Triggers”
 - What event “triggers” the conversion from LIBOR to a new reference rate?
 - Is it only at LIBOR cessation or can it be earlier?
- The “Replacement Rate”
 - What rate replaces LIBOR?
- The “Spread Adjustment”
 - How do you determine a spread adjustment if LIBOR and the Replacement Rate are significantly different?