

ARRC SUPPLEMENTAL RECOMMENDATIONS OF HARDWIRED FALLBACK LANGUAGE FOR SECURITIZATIONS

August 18, 2021

Acknowledging the Occurrence of a Benchmark Transition Event in the ARRC Recommendations Regarding More Robust Fallback Language for New Issuances of LIBOR Securitizations

The Alternative Reference Rates Committee (ARRC) Securitization Working Group (SWG) released a supplemental update to its recommended contractual [fallback language](#) for USD LIBOR securitizations.

The recommended fallback language was developed in May of 2019 for market participants' voluntary use in new contracts that reference LIBOR with the goal of reducing the risk of serious market disruption in the event that LIBOR is no longer usable.

In March of 2021, the ARRC confirmed that announcements by the ICE Benchmark Administration (IBA) and the U.K. Financial Conduct Authority (FCA) constitute a Benchmark Transition Event with respect to all USD LIBOR settings, officially beginning the transition process.

The supplemental update amends the definition of a Benchmark Transition Event within the recommended fallback language to acknowledge its occurrence as a result of the March 2021 IBA/FCA announcements.

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(1) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that the administrator has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;

(2) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;

(3) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative; or

(4) [the Asset Replacement Percentage is greater than [50]%, as reported in the most recent servicer report.]

[On March 5, 2021, the ICE Benchmark Administration (the “IBA”), the administrator of the London interbank offered rate (“LIBOR”), and the Financial Conduct Authority, the regulatory supervisor of the IBA, declared in public statements (the “Public Statements”) that the final publication or representativeness date for USD LIBOR for (i) one week and two month LIBOR settings will be December 31, 2021 and (ii) overnight, one month, three month, six month and 12 month LIBOR settings will be June 30, 2023. At the time of the Public Statements no successor administrator was named to continue to provide the Benchmark. The Public Statements resulted in the occurrence of a Benchmark Transition Event with respect to LIBOR and any obligation to notify of this Benchmark Transition Event shall be deemed satisfied.]