ARRC Consultation regarding more robust LIBOR fallback contract language for new originations of FRNs		
Topic	**##**	**Questions**
Triggers	1(a)	Should fallback language for FRNs include any of the pre-cessation triggers (triggers 3, 4 and 5)? If so, which ones? We support all pre-cessation triggers mentioned, as long as they are harmonized across asset classes.
	1(b)	Please indicate whether any concerns you have about these pre-cessation triggers relate to differences between these triggers and those for standard derivatives or relate specifically to the pre-cessation triggers themselves. We are concerned by the lack of convergence / consensus on pre-cessation triggers between asset classes, especially between cash products and derivatives. As far as possible we support pre-cessation triggers being consistent across all products.
	1(c)	If pre-cessation triggers are not included, what options would be available to market participants to manage the potential risks involved in continuing to reference a Benchmark whose regulator has publicly determined that it is not representative of the underlying market or a Benchmark permanently or indefinitely based on a number of submissions that the Benchmark's administrator acknowledges to be insufficient to allow for production in a standard manner? Refer to 1(a)
Replacement Benchmark	2	If the ARRC has recommended a forward-looking term rate, should that rate be the primary fallback for floating rate notes referencing LIBOR even though derivatives are expected to reference overnight versions of SOFR? We support convergence between fallback rates & trigger definitions across Asset Classes (FRNs, Loans, derivatives) in order to avoid fragmentation of SOFR indexed product liquidity, and limit operational/financial risks when dealing with all these products at portfolio level. If the market consensus is to adopt a term rate for FRN's, we support a forward looking rate as the primary fallback.
	3(a)	Should Compounded SOFR be the second step in the waterfall? Would this preference be influenced by whether ISDA implements fallbacks referencing compounded SOFR or overnight SOFR? We support convergence between fallback & trigger definitions between Asset Classes (FRNs, Loans, derivatives) in order to avoid fragmentation of SOFR indexed product liquidity, and limit operational risks when dealing with all these products at portfolio level. Within the above context and as SOFR currently has no Forward Looking term defined, compounding is the next best option, as: - It removes fixing risk - The methodology is well known and similar to OIS swaps. - It is easier to hedge
	3(b)	If you believe that Compounded SOFR should be included, which compounding period is preferable ("in arrears" or "in advance")? Would this preference be influenced by whether ISDA implements fallbacks referencing compounded SOFR "in arrears" or "in advance"? We support convergence between fallback & trigger definitions between Asset Classes (FRNs, Loans, derivatives) in order to avoid fragmentation of SOFR indexed product liquidity, and limit operational risks when dealing with all these products at portfolio level. In that context, we prefer setting in arrears. Setting in arrears would allow Timely adjustments with central bank policy changes over the term of the IBOR
	4(a)	Would an overnight rate that remains in effect for the entire interest period be an acceptable option for investors, issuers and agents? No. Using the Spot Overnight Rate is the least favorable option. It exposes users to significant fixing risk with respect to a daily rate that would be used for a term period. In the case of the US, the overnight repo rate, SOFR, may be very volatile on specific dates, and would be difficult to hedge if a single daily rate is used for a term period.
	4(b)	Should the waterfall include Compounded SOFR (step 2) and spot SOFR (step 3) and/or a simple average of SOFR (not in the waterfall at this time)? If only one of these options is included, which is preferable? Would this preference be influenced by whether ISDA implements fallbacks referencing compounded SOFR or overnight SOFR? We support convergence between fallback & trigger definitions between Asset Classes (FRNs, Loans , derivatives) in order to avoid fragmentation of SOFR indexed product liquidity, and limit operational risks when dealing with all these products at portfolio level.

		Under this principle if only one option of fallback is available, we prefer the ISDA definition. However, we recognize that issuers may prefer using a simpler method like the average of SOFR.
	5	In the future circumstance where there is no SOFR-based fallback rate, is the replacement rate determined by the Relevant Governmental Body the best alternative at this level of the waterfall? Yes, however, the Governmental Body should ensure that there is a consistency of fallback rates between the asset classes
	6(a)	In the future circumstance where there is no SOFR-based fallback rate and the Relevant Governmental Body has not recommended a replacement rate for FRNs, is the fallback for SOFR-linked derivatives set forth in the ISDA definitions the best alternative at this level of the waterfall? Yes but, we support convergence between fallback & trigger definitions between Asset Classes (FRNs, Loans, derivatives) in order to avoid fragmentation of SOFR indexed product liquidity, and limit operational risks when dealing with all these products at portfolio level, so yes, in such case it would be the best alternative.
	6(b)	Should this step in the waterfall refer expressly to OBFR and then the FOMC Target Rate rather than refer to the fallback rate for SOFR-linked derivatives in the ISDA definitions (which could change in the future)? In the context of alignment of fallbacks between Asset Classes, we would prefer consistency with the ISDA fallbacks definitions.
	7	Should the issuer or its designee have the ability to over-ride the ISDA fallback for SOFR-linked derivatives in the ISDA definitions at this level of the waterfall if it determines that another rate that is an industry-accepted successor rate for FRNs exists at such time? We support alignment between asset classes, so if there is an alignment with the ISDA fallback, then yes
Spread Adjustments	8	Do you believe that the ARRC should consider recommending a spread adjustment that could apply to cash products, including FRNs? Yes. It would be preferable if the ARRC recommended a spread adjustment for ALL asset classes, including derivatives.
	9	Is a spread adjustment applicable to fallbacks for derivatives under the ISDA definitions appropriate as the second priority in the spread waterfall when the Unadjusted Replacement Rate is equivalent to the ISDA fallback rate? Under our approach of consistencies of fallback definitions across the Asset Classes, we favor using the same spread as the ISDA definition if the unadjusted rate is equivalent to the ISDA Fallback Rate, as a first choice.
Lender Vote	10	If the ARRC does not recommend a spread adjustment, should the issuer (or its designee) have the ability to determine the spread adjustment (or, if step 2 is applicable, over-ride the spread adjustment for derivatives fallbacks in the ISDA definitions) and select a spread adjustment that would result in a rate that is an industry-accepted successor rate in floating rate notes at such time? Leaving the choice to the issuer could potentially lead to a multitude of spread methodologies. This would not be ideal. Ideally, the Spread adjustment used should be the same used for the other asset classes.
	11	Whether as issuer or as calculation agent, would your institution be willing to (i) determine whether the proposed triggers have occurred, (ii) select screens where reference rates or spreads are to be found, (iii) make calculations of a rate or spread in the absence of published screen rates, (iv) interpolate term SOFR if there is a missing middle maturity and (v) make the decisions in step 6 of the Replacement Benchmark waterfall and step 3 of the Replacement Benchmark Spread waterfall? We would be willing to make these determinations for transaction and products in which we act as calculation agent, subject to customary limitations on the duties and responsibilities of the calculation agent and to full disclosure of any conflicts of interest.
General feedback	12	Is there any provision in the proposal that would significantly impede FRN issuances? If so, please provide a specific and detailed explanation No, except that we see a risk of liquidity dislocation on SOFR-based products if the fallbacks methodologies (and triggers) are different between asset classes and ISDA.
	13	Please provide any additional feedback on any aspect of the proposal.