November 13, 2018

ARRC Secretariat
Alternative Reference Rate Committee
c/o the Federal Reserve Bank of New York
New York, NY 10045

Re: ARRC Consultation Regarding More Robust LIBOR Fallback Contract Language for New Issuances of LIBOR Floating Rate Notes

Dear Sir or Madam:

The Independent Community Bankers of America (ICBA)[1] appreciates the opportunity to comment on the Alternative Reference Rates Committee (ARRC) released consultations concerning USD LIBOR fallback contract language for floating rate notes (FRNs).

As the only member of ARRC that exclusively represents the community banking industry, ICBA is concerned that some community banks may either be issuing USD LIBOR based FRNs and/or are purchasing those notes to hold in their portfolios and are unaware of what the consequences would be if LIBOR was discontinued. Therefore, we commend the ARRC for its efforts to educate the banking industry about LIBOR and publishing proposed fallback contract language. ICBA realizes that if there is a permanent or indefinite cessation of LIBOR in 2021, the existing contract language in many of these FRNs could effectively convert these instruments to fixed rate instruments resulting in a variety of unintended consequences to both issuers and note holders. The ARRC's proposed contract language is meant to provide a safer fallback system that would allow for a replacement rate.

Our only concern with the proposed fallback contract language is its complexity. For instance, the FRN Replacement Benchmark Waterfall has six different contingencies and steps, all of which are contingent in the first place on whether SOFR forward looking term rates become a reality. While we endorse the "waterfall" approach to selecting an alternative reference rate, our

[1] The Independent Bankers of America® creates and promotes an environment where community banks flourish. With more than 52,000 locations nationwide, community banks constitute 99 percent of all banks, employ more than 760,000 Americans and are the only physical banking presence in one in five U.S. counties. Holding more than $4.9 trillion in assets, $3.9 trillion in deposits, and $3.4 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org.

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recommendation is to simplify the proposed Benchmark Replacement language by providing for fewer contingencies and therefore fewer possible alternatives. We believe the more straightforward and clear the proposed fallback language is, the more likely it will be incorporated into FRN documentation by community banks, their attorneys and compliance specialists.

ICBA looks forward to the day when an alternative reference rate such as SOFR is widely adopted by the industry and fallback language is unnecessary. In the meantime, community banks need a simplified version of the fallback language that incorporates clear and observable triggers and fallback rates/spread adjustments.

We do agree that some community banks may want the option to include one or more of the additional proposed "pre-cessation triggers" in order to transition to a SOFR-based alternative rate in the absence of a permanent discontinuation of LIBOR. These pre-cessation triggers are intended to describe events that signal a material change in LIBOR or a shift in the regulatory judgment of the quality of LIBOR that would likely have a significant negative impact on its liquidity and usefulness to market participants. Even though this language adds to the general complexity of the fallback language, we agree with the ARRC that without these pre-cessation triggers, a market participant would be unable to manage the potential risks involved in continuing to reference a benchmark whose regulator has publicly determined is not representative of the underlying market.

In conclusion, ICBA commends the ARRC for publishing recommended fallback language for market participants to consider for new issuances of FRNs referencing LIBOR. Our understanding is that, in the future, ARRC will be issuing consultations on other cash products, including bilateral business loans and consumer products. Our chief recommendation to the ARRC is to keep the language as simple as possible. If it becomes too complex, it will not be widely used and incorporated by the industry and in particular, by community banks.

If you have any questions or would like additional information, please do not hesitate to contact me by email at Chris.Cole@icba.org.

Sincerely,
/s/ Christopher Cole

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Executive Vice President and Senior Regulatory Counsel

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