

ARRC Consultation on FRN Fallback Language

Question 1(a): *Should fallback language for FRNs include any of the pre-cessation triggers (triggers 3, 4 and 5)? If so, which ones? **Yes, 3, 4 and 5.***

Question 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. **N/A***

Question 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? **N/A***

Question 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? **Yes.***

Question 3(a): *Should Compounded SOFR be the second step in the waterfall? **Yes.** Would this preference be influenced by whether ISDA implements fallbacks referencing compounded SOFR or overnight SOFR? **No.***

Question 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"? Preference for matching swap convention. **We would follow whatever ISDA implements.***

Question 4(a): *Would an overnight rate that remains in effect for the entire interest period be an acceptable option for investors, issuers and agents? **Yes.***

Question 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)? **No.** If only one of these options is included, which is preferable? **Compounded SOFR.** Would this preference be influenced by whether ISDA implements fallbacks referencing compounded SOFR or overnight SOFR? **No.***

Question 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.***

Question 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.**

Question 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)?* **No.**

Question 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?* **No.**

Question 8: *Do you believe that the ARRC should consider recommending a spread adjustment that could apply to cash products, including FRNs?* **Yes.**

Question 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?* **Yes.**

Question 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?* **No.**

Question 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?* **N/A**

Question 12: *Is there any provision in the proposal that would significantly impede FRN issuances? If so, please provide a specific and detailed explanation.* **No.**