26 November 2018

Dear Sir/Madam,

Standard Chartered's Response to the Alternative Reference Rate Committee's (ARRC) consultation *regarding more robust LIBOR fall-back contract language for new issuances of LIBOR floating rate notes*

Standard Chartered welcomes the publication of the ARRC's proposed approach to more robust fall-back language for new issuances of LIBOR FRNs. We support the work of the ARRC in catalysing the market's voluntary transition from USD LIBOR to SOFR and strengthening the robustness of LIBOR contracts.

Standard Chartered has the following observations in relation to the proposals:

- We are broadly supportive of the primary goals of the proposals which are to promote best practices in the market. Additional comfort is provided from the fact that the proposals are voluntary and issuers would retain flexibility to structure documentation as they see fit

- The proposals are focused on FRN issuance, but from a Debt Capital Markets practitioner's perspective, this also concerns instruments that reset to floating rates post reset/call dates (e.g. AT1 instruments)

- We are particularly supportive of the efforts to identify trigger scenarios to account for situations where LIBOR has not been permanently discontinued but has lost its robustness as a benchmark

- With respect to associated hedging activity, it is undesirable to have inconsistencies in triggers and fall-backs between FRNs and derivatives, however we note that some mismatch seems unavoidable given the FRN bond market is related but independent of the overall derivatives market

- On the fall-back language itself, we are supportive of a clear waterfall for a replacement benchmark. We would caution against undue complexity and envisage some evolution of the waterfall provisions based on market practice/preferences over time. For example, decisions over "in advance" vs "in arrears" may be answered as the market settled on its preferred approach

- We note that the ARRC has recommended SOFR in steps 1-3 of the fall-back waterfall. Whilst SOFR has been identified as the replacement for LIBOR in USD securities, some issues may be more comfortable with a vaguer replacement rate in the first instance even if that replacement rate will most likely be SOFR.

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We would be happy to discuss any of the points raised in more detail.

Yours sincerely,

Ian Sayers

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