Responses to ***ARRC CONSULTATION REGARDING MORE ROBUST LIBOR FALLBACK CONTRACT LANGUAGE FOR NEW ORIGINATIONS OF LIBOR SYNDICATED BUSINESS LOANS*** issued on September 24, 2018

Question 1. *If the ARRC were to adopt one or more sets of business loan fallback language, which one or both of the recommended provisions (i.e., amendment approach and/or hardwired approach), in your view, is an appropriate policy? If you believe the amendment approach is more appropriate at present, what specific information (for instance, existence of term SOFR) would you need in order to get comfortable eventually adopting a hard-wired approach? Why?*

We prefer the amendment approach at this time. Once a term based SOFR rate (and the related credit adjustment spread) is available, we expect market participants will be better equipped to transition to the hardwired approach. The lack of such term based SOFR rate at the current time is the primary concern with using the hardwired approach today.

Question 2. *(a) Should fallback language for business loans include any of the pre-cessation triggers (triggers 3, 4 or 5)? If so, which ones?*
(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.
(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?

We do not think these are necessary in the loan market. The first two triggers are clear and objective standards.

Question 3. *(a) Is an "opt-in" trigger appropriate to include? Why or why not? (b) If you do believe an "opt-in" trigger should be included, do you prefer the approach in the hardwired proposal or the amendment proposal? Please explain.*

We suspect an opt-in feature may draw objection from syndicate lenders for an item that would otherwise potentially require unanimous lender consent.

Question 5. *If the ARRC has recommended a forward-looking term rate, should that rate be the primary fallback for syndicated loans referencing LIBOR even though derivatives are expected to reference overnight versions of SOFR? Please explain.*

For those loans that have related hedges, it is important that the rates match. If the loan market references term based SOFR, related derivatives markets should ideally match such term based SOFR as well, or at least give equivalent economics. We understand that term rates are not intended for derivatives in the current ARRC plan, but without equivalent economics, end users in the market will have open basis risk.

Question 6. *Should the administrative agent (by itself or with some other party) be able to eliminate certain interest period options if there are no equivalent SOFR terms available? If so, consider the following options: (i) the administrative agent (and/or some other party) may remove all interest periods for which there is not a published term rate or (ii) the administrative agent (and/or some other party) may remove only the interest periods for which there is not a published term rate and a term rate cannot be interpolated. Which of the options do you support? Why?*

These items could be viewed as 'substantive' changes rather than 'administrative' or 'conforming' so we suspect Administrative Agents will seek instruction from the Required Lenders. We note that allowing an interpolated rate would be consistent with how credit agreements currently deal with certain LIBOR terms not being quoted.

Question 12. *Do you believe that the ARRC should consider recommending a spread adjustment that could apply to cash products, including syndicated business loans?*

Yes, a term based SOFR together with the credit adjustment spread will help the market transition smoothly and we anticipate that the lack of a credit component in overnight SOFR is a key feature differentiating it from LIBOR.

Question 15. *(a) Under the amendment approach proposal, if parties are selecting a replacement rate through the amendment process, should the objection of the Required Lenders be by class (if applicable) (see clause (b) of the section titled "Effect of Benchmark Discontinuance Event" in Appendix I)? Why or why not?*
(b) Under the amendment approach proposal, if parties choose to select a replacement rate through the "opt-in" amendment process, should the affirmative consent of the Required Lenders be by class (if applicable) (see clause (b) of the section titled "Effect of Benchmark Discontinuance Event" in Appendix I)? Is affirmative consent appropriate or should negative consent be considered instead? Please explain.

If objections are by class, this may result in different interest rates for different tranches of loans within the same credit agreement which could be challenging from an operational perspective. So while each tranche may want to separately approve, a majority of all lenders should also approve the application of the new rate to the entire credit facility.

Question 17. *For respondents that act as administrative agents in the syndicated business loan market, would your institution be willing to (i) work with the borrower to identify a new reference rate or spread adjustment, (ii) determine whether triggers have occurred, (iii) select screen rates where reference rates are to be found, (iv) interpolate term SOFR if there is a missing middle maturity and, (v) execute one-time or periodic technical or operational amendments to allow the administrative agent to appropriately administer the replacement benchmark? Please respond to each and explain.*

The nature of the Administrative Agent role is to facilitate the above type of changes via interfacing both with the borrower and the lender group, so yes we would anticipate working with our borrowers to make such determinations, however, unless specifically provided for in the credit agreement, Administrative Agents are reluctant to exercise any discretion on behalf of the bank groups so any substantive changes would typically require instruction from the Required Lenders.

Question 18. *Is it necessary that any replacement rate and/or applicable spread adjustment be published on a screen by a third party? Why or why not?*

Yes the rate needs to be readily available so that it is objectively determinable and not subject to Administrative Agent discretion.

Question 19. *Given that market practices and conventions may change over time, should the administrative agent's limited ability to make conforming changes be available only at the point of transition or on a periodic, ongoing basis? Why or why not?*

Point of transition seems most appropriate as the Administrative Agent would be obtaining negative consent at such time, and would not want to commit on day one to continue to make additional changes in the future without bank group endorsement.

Question 20. *How important is it for the fallback rate to be available prior to making a borrowing/advancing funds? For instance, if the rate was a compounded three-month rate calculated at the* ***end*** *of the interest period, would that be problematic? Please explain.*

We believe the market expects the rate to be determined in advance of the relevant interest period. Altering that formulation to a backward looking rate will also create operational challenges for the administrative agent.

Question 21. *Are there operational concerns about having the ability to convert many loans over a very short period of time? Please explain.*

The sooner the term based SOFR rate is made available, the sooner Operations and Technology departments at agency institutions can make the necessary configuration changes to supporting systems. Various technology changes/code changes may be needed from a product/processor/supplier perspective.

Question 22. *Do you see other operational challenges that fallback language should acknowledge or of which the ARRC should be aware? Please explain.*

Since it is envisioned that term based SOFR will be published in New York, transaction parties will need to be mindful, from an operational/rate setting aspect, in multi-currency facilities with foreign borrowers of the different timelines & time zones that may apply to USD/US borrowers vs. other currencies/rates/jurisdictions within the same credit agreement.