ARRC Consultation regarding more robust LIBOR fallback contract language for new originations of LIBOR Syndicated Business Loans		
Topic	**##**	**Questions**
General Approach	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? The hardwired approach provides certainty and allows for better risk management in case of Libor disruption from a lender or trading perspective, however, we acknowledge that borrowers may not adopt such language until it is considered market standard and may prefer the amendment approach at first.
Triggers	2(a)	Should fallback language for business loans include any of the pre-cessation triggers (triggers 3, 4 or 5)? If so, which ones? We support all pre-cessation triggers mentioned, as long as they are harmonized across asset classes.
	2(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.
	2(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 2(a)
	3(a)	Is an "opt-in" trigger appropriate to include? Why or why not? Yes. An "Opt-in" trigger provides more flexibility for market participants to support the transition of existing loan contract benchmarks to alternative rates.
	3(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 are initially supportive of the opt-in trigger as detailed in the "amendment approach", however, once market standards develop, we will prefer the opt-in trigger as detailed in the hardwired approach, as it will provide greater certainty.
	4	Are there any other trigger events that you believe should be included for consideration? If yes, please explain. No
Replacement Benchmark	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. 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/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.
	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? (ii) is better because it is less unilateral and will take account of all the information available in the market, therefore reducing as much as possible the legal risk.
	7	Should "Compounded SOFR" be included as the second step in the waterfall? Why or why not? 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 rate defined, compounding is the next best option as: - It removes fixing risk - The methodology is well known as similar to OIS swaps. - Is Easier to hedge
	8	If you believe that Compounded SOFR should be included, would a Compounded SOFR in advance or Compounded SOFR in arrears be preferable for syndicated loans? Please explain. 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. However, shifting from an "in advance" fixing to an "in arrears" fixing may prove challenging for some borrowers to manage as it would be a significant shift from their current way of managing debt.
	9	Is Overnight SOFR an appropriate fallback reference rate for syndicated loans or should the final step in the replacement rate waterfall be Compounded SOFR (after which the hardwired approach defaults to a streamlined amendment process)? Would this preference be influenced by whether ISDA implements fallbacks referencing compounded SOFR or overnight SOFR? Please explain. 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. The Overnight SOFR Rate is the least favorable option for this level of the waterfall. 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.
	10	Is it acceptable to fix one observation of Overnight SOFR as the reference rate for a loan lasting three months (or longer)? Would lenders refuse to offer longer-duration loans if they were priced over one Overnight SOFR observation? Please explain. No, as it would not reflect the term it is supposed to apply. Replacing a 3M Libor rate by a spot SOFR rate (which is by construction, an overnight rate) is not acceptable and could put lenders at risk.
	11	Is there any another replacement rate that should be added to the hardwired approach waterfall before parties move to the streamlined amendment process? If so, what is the appropriate rate or rates and at which stage in the waterfall should they be applied? No
Spread Adjustments	12	Do you believe that the ARRC should consider recommending a spread adjustment that could apply to cash products, including syndicated business loans? Yes. It would be preferable if the ARRC recommended a spread adjustment for ALL asset classes, including derivatives.
	13	Is a spread adjustment applicable to fallbacks for derivatives under the ISDA definitions appropriate as the second priority in the spread waterfall even if syndicated business loans may fall back at a different time or to a different rate from derivatives? Please explain. Under our approach of consistencies of fallback definitions across the Asset Classes, we would favor using the same spread as the ISDA definition
	14	Is there any another spread adjustment that should be added to the hardwired approach spread waterfall before parties move to the streamlined amendment process? If so, what is the appropriate spread and at which stage in the waterfall should it be applied? No
Lender Vote	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? Yes. In the case mentioned, the objection of the Required Lenders should be by class, if applicable, since rights and obligations of lenders in different classes are different. In addition, we prefer affirmative acceptance, as opposed to the current objection approach.

	15(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. Yes. In the case mentioned, the affirmative consent should be by class, if applicable, since rights and obligations of lenders in different classes are different.
	16(a)	Under the hardwired approach proposal, if parties must fallback to selecting a replacement rate through the amendment process because none of the options in the replacement rate waterfall are available, is the objection of the Required Lenders by a class appropriate (if applicable) (see clause (d) of the section titled “Effect of Benchmark Discontinuance Event” in Appendix II)? Why or why not? Yes. In the case mentioned, the objection of the Required Lenders by class is appropriate, if applicable, since rights and obligations of lenders in different classes are different. In addition, we prefer affirmative acceptance, as opposed to the current objection approach.
	16(b)	The hardwired approach proposal provides two bracketed options for a successful declaration of the “opt-in” amendment process - Required Lenders (typically a majority) vs. supermajority (2/3) of lenders (see clause (B) of the definition of “Benchmark Transition Determination” in Appendix II). What should be the standard affirmative lender voting threshold for consenting to the “opt-in”? Please explain. We prefer the Required Lenders option (simple majority), because it would better support transition efforts.
Administrative Agent	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. (i) The bank is already doing so, and is willing to keep doing it in the future. (ii) The bank is already doing so, and is willing to keep doing it in the future. (iii) The bank is already doing so, and is willing to keep doing it in the future. (iv) Certain lines of the bank are already doing so, and we are willing to do it in the future. (v) The bank is already doing so, and is willing to keep doing it in the future. These activities would need to be conducted (as currently) on a fully indemnified basis
	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? We would prefer the rates and spreads to be published on a screen by a third party to provide transparency and avoid any potential misunderstandings.
	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? The administrative agents should be able to make conforming changes when needed.
Operational considerations	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 support a harmonized fallback rate across asset classes, however, adopting an “in arrears” fixing will present significant challenges from an IT and operational perspective. It would be the least preferable option. We also recognize that shifting from an “in advance” fixing to an ”in arrears” fixing may prove challenging for some borrowers to manage as it would be a significant shift from their current way of managing debt.
	21	Are there operational concerns about having the ability to convert many loans over a very short period of time? Please explain. Yes, especially if fallbacks rules are not standard from one loan to the other (which may still be a risk).
	22	Do you see other operational challenges that fallback language should acknowledge or of which the ARRC should be aware? Please explain. Yes, if fallback rates methodologies are significantly different from current rate computation methodologies, systems and processes adaptions will be required for which appropriate lead time will need to be factored in. It will be important to ensure that all vendors (Marjit/WSO, Sentry, Clearpar etc) supporting this market are well engaged in this transition and adapt their systems in advance. It is key these vendors have the information

		simultaneously and immediately
Bilateral Loans	23	What modifications to the syndicated loan consultative language may be helpful to market participants as they consider more robust fallback language in a bilateral or single-bank business loan context, if any? Please explain. Specifically, what modifications to the language may be appropriate in instances in which the bilateral loan is fully or partially hedged? Please explain. To facilitate certainty it could be discussed by the ARRC that the hardwired approach is universally adopted after a certain time period (to be defined)
General feedback	24	Are there any provisions in the fallback language proposals that would significantly impede syndicated loan originations? If so, please provide a specific and detailed explanation. Not at this time.
	25	Please provide any additional feedback on any aspect of the proposals. The approach would benefit to be as hardwired as possible to create certainty and to reduce risk in the loan market and the connected CLO market