

# WHAT HAPPENS NOW? KEY LIBOR CONSIDERATIONS AFTER YEAR-END



October 27, 2021

# With you today



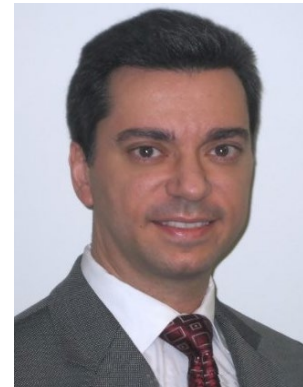
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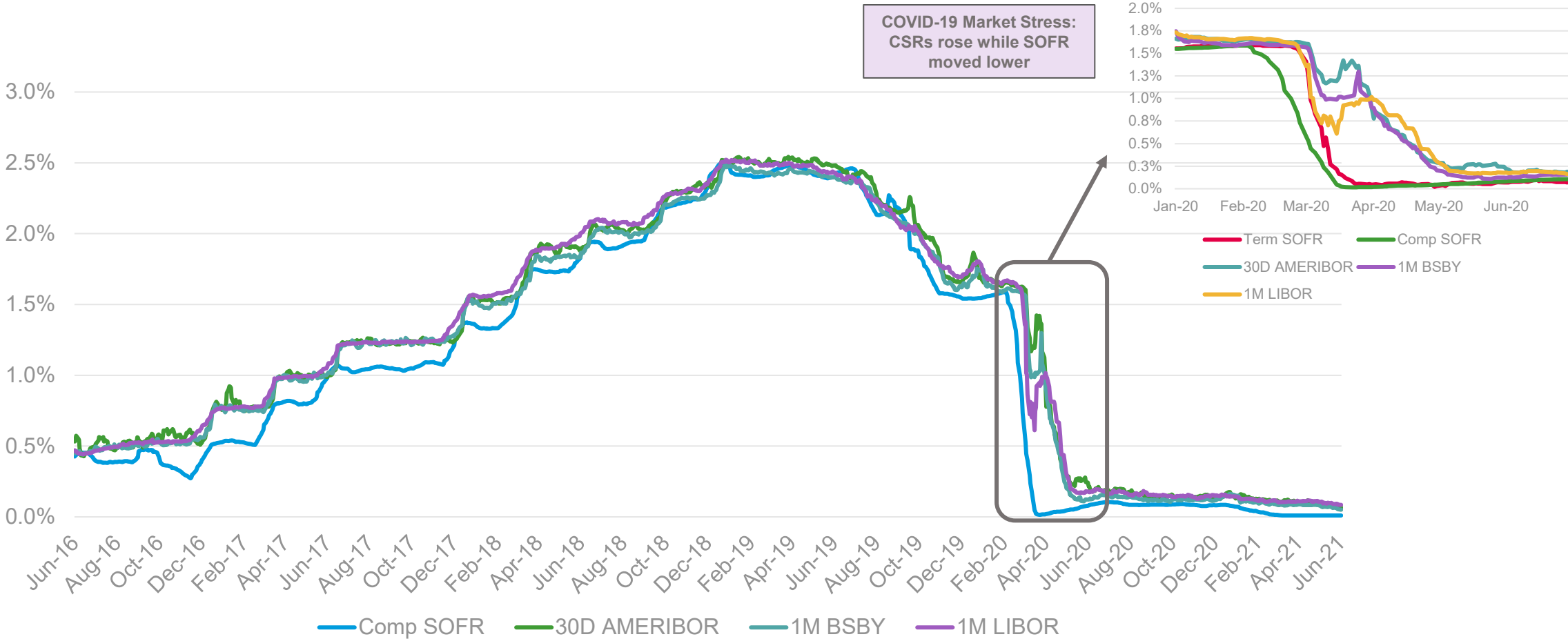
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# Agenda

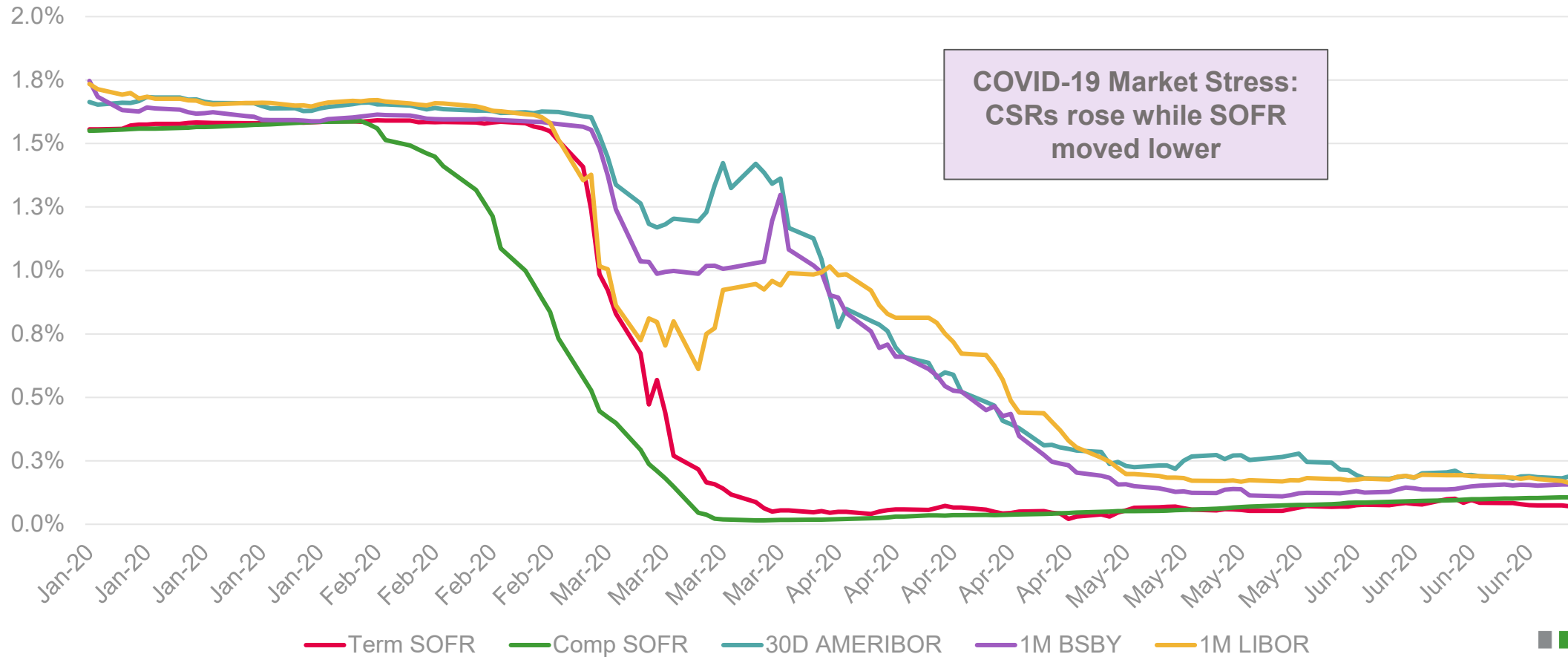
- Overview
  - SOFR variations
  - Market uncertainty
- Q&A panel discussion
  - What now? What to do with 2022 deals without LIBOR
  - Preparing for transition – now and future considerations
  - Biggest concerns and potential options
  - Accounting issues
- Questions from the audience
- Closing

# Overview

# Alternative Reference Rate Comparison (5-Year Historical Data)



# Credit-sensitivity matters in times of stress



# SOFR has essentially only traded at two levels since March



What will you do with your 2022 deals now that they cannot be priced using LIBOR?



# Is SOFR the right benchmark for everything & everyone?



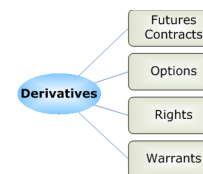
## Money Market Instruments

- Time Deposits
- Money Market Accounts
- Demand Deposits
- Checking Accounts
- CDs
- Commercial Paper
- Medium-term Notes
- Securities Lending



## Loan Products

- Commercial Loans
- Syndicated Loans
- Floating Rate Bank Notes
- Leveraged Loan Facilities
- Intercompany Loans
- Agricultural Loans
- Mortgage Loans
- Home Equity Loans
- Student Loans
- Credit Card Loans
- FHLB Advances



## Derivative Securities

- Interest Rate Swaps
- Cross-currency Swaps
- Caps and Floors
- Swaptions
- Mortgage Derivatives
- Exotic Derivatives



## Structured Products

- Asset-backed Securities (ABS)
- Mortgage-backed Securities (MBS)
- Commercial Mortgage-backed Securities (CMBS)
- Collateralized Mortgage Obligations (CMOs)
- Collateralized Loan Obligations (CLOs)
- Hybrids and Synthetics

# New 3-stage pricing in certain deal types

*All-in Rate = Term SOFR + Applicable Margin + Credit-Spread Adjustment*

*ISDA Fallback Spread Adjustments vs. Spot Market*

<b>Index Tenor</b>	<b>ISDA Spread (bps)</b>	<b>Spot Spread (bps)</b>
1M LIBOR	11.448	3.788
3M LIBOR	26.161	7.488
6M LIBOR	42.826	12.200
12M LIBOR	71.513	26.688

*Where should new deals be priced?*

How did your firm prepare for the transition? And what are key future considerations?

What are you hearing from clients regarding their biggest concerns?

# Significant client concerns

- Different risk characteristics between LIBOR and SOFR
- No credit sensitivity in SOFR
- Current spread vs. ISDA historical spread calculation
- How do I price certain deals indexed to SOFR?
- Have I properly evaluated all risks throughout the organization?
- Issues vary depending on the type of institution
- Hedge Accounting Issues

What types of accounting implications/issues are you seeing from clients as they prepare to move into an RFR environment?



# QUESTIONS AND ANSWERS

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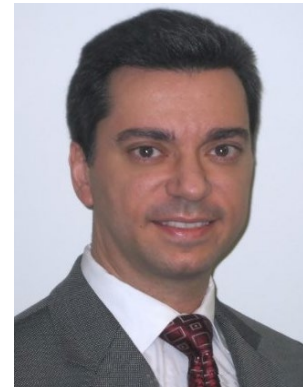
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THANK YOU FOR  
YOUR TIME AND  
ATTENTION