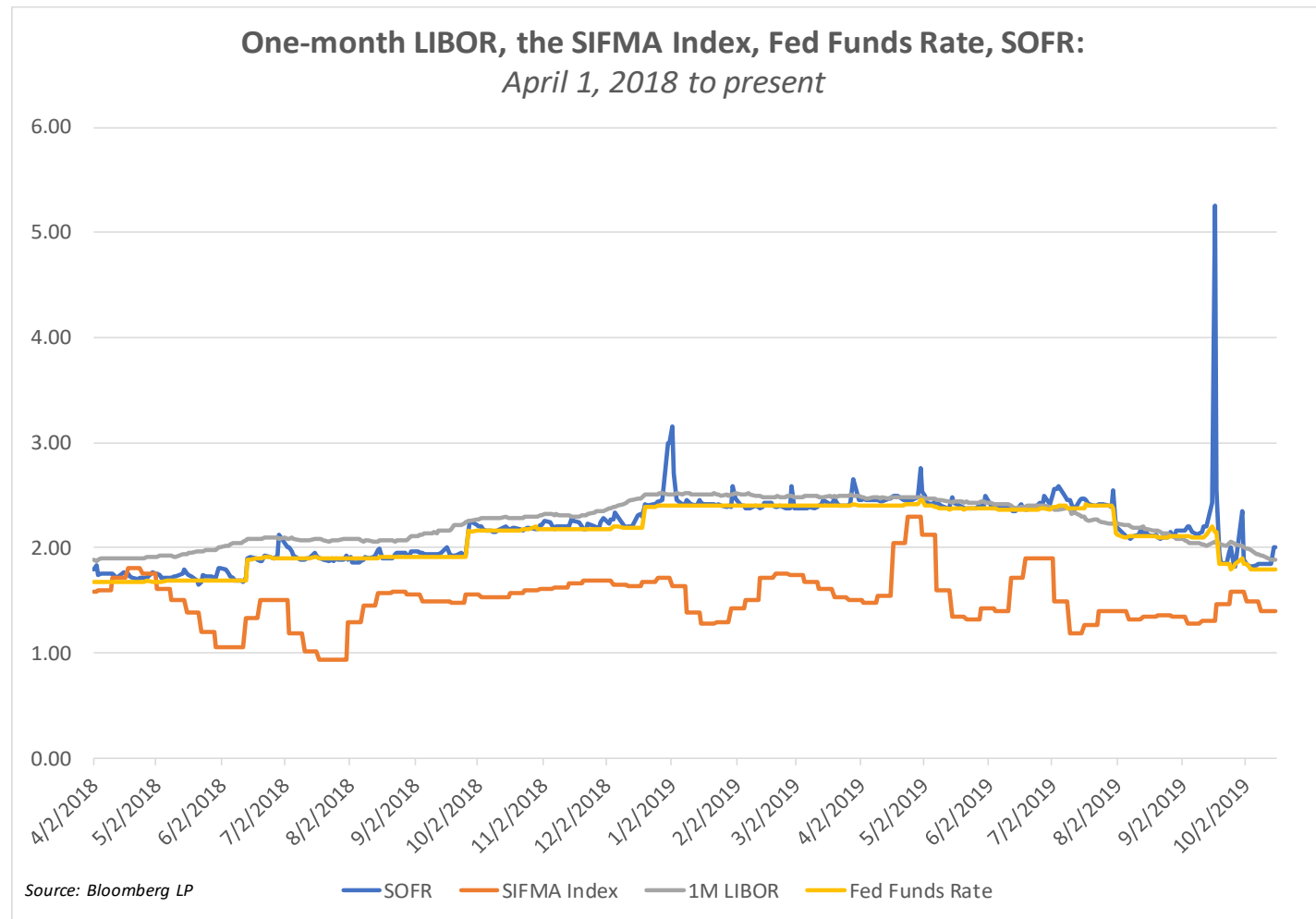


CONSIDERATIONS FOR HFAS: LIBOR TRANSITION

Short-term rate comparison since April 2018

- SOFR – secured, overnight, funding in bank markets
- One-month LIBOR – unsecured, very few transactions
- Fed Funds Rate – secured, bank excess reserves
- SIFMA Index – tax-exempt weekly VRDNs



Source: Bloomberg LP

CONSIDERATIONS FOR HFAS: LIBOR TRANSITION

- HFAs with debt or derivatives linked to LIBOR
 - Uncertain whether LIBOR will continue to be produced and published after the end of 2021
- Fallback benchmark rate language – when LIBOR is no longer published
- Derivatives: ISDA has identified SOFR for USD LIBOR as fallback
- Debt: SOFR market still developing
 - ARRC suggested fallback language

CONSIDERATIONS FOR HFAS: LIBOR TRANSITION

Derivatives: ISDA Protocol

- ISDA has published three consultations – determining market views on fallback benchmark rate, term mismatch, and credit spread adjustment
- Final parameters consultation: September 2019
- ISDA Protocol: multi-lateral amendment to contracts. Standardizes amending ISDA documents.
 - Used for CFTC Business Conduct Standards in 2012 and 2013, Variation Margin Rule, and other new rules stemming from Dodd-Frank

Market still developing

- Through 9/20/19, \$2.7T in LIBOR Notional versus \$1.6B in SOFR Notional

CONSIDERATIONS FOR HFAS: LIBOR TRANSITION

Debt: bilateral amendments and negotiation with investors

- Investor and lender specific
- ARRC (Alternative Reference Rates Committee) has published suggested language for new debt instruments to incorporate fallback/transition language

CONSIDERATIONS FOR HFAS: LIBOR TRANSITION

Plan

- New debt – consider fallback language in new LIBOR-based debt

Prepare

- What is impacted?

Communicate

- With legal and financial advisors
- With investors

LIFE AFTER LIBOR October 21, 2019

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