

## ARRC Consultation on Syndicated Loans

**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? **Hardwired Approach.**

### **Question 2.**

(a) Should fallback language for business loans include any of the precessation triggers (triggers 3, 4 or 5)? If so, which ones? **Yes, 3, 4 and 5.**

(b) Please indicate whether any concerns you have about these precessation triggers relate to differences between these triggers and those for standard derivatives or relate specifically to the pre-cessation triggers themselves. **N/A**

(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? **N/A**

### **Question 3.**

(a) Is an "opt-in" trigger appropriate to include? Why or why not? **N/A as we believe the hardwire approach is appropriate.**

(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.

**Question 4.** Are there any other trigger events that you believe should be included for consideration? If yes, please explain. **No.**

**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. **Yes. We support the ARRC recommendation.**

**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? **No.**

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? **N/A.**

**Question 7.** Should “Compounded SOFR” be included as the second step in the waterfall? **Yes.** Why or why not? Would this preference be influenced by whether ISDA implements fallbacks referencing compounded SOFR or overnight SOFR? **No.**

**Question 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 would prefer to see the term rate mirror whatever ISDA implements.**

**Question 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)? **Overnight SOFR is an appropriate fallback.** Would this preference be influenced by whether ISDA implements fallbacks referencing compounded SOFR or overnight SOFR? **No.** Please explain.

**Question 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. **N/A.**

**Question 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.**

**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.**

**Question 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. **No. The ISDA spread adjustment should only apply if the new Replacement Benchmark is equivalent to the fallbacks under the ISDA definitions.**

**Question 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.**