WHAT IS THE SHAPE OF YOUR LIBOR RISK?

A Guide to LIBOR Cessation Risk for Non-Financial Organizations

IBORS, including the **London Inter-Bank Offered Rate** (LIBOR), are scheduled for discontinuation globally starting December 31, 2021. Successfully traversing the myriad of steps and the magnitude of work needed to reach a timely state of LIBOR reform readiness requires an understanding of the specific shape of your organization's related risk.

Key to determining the shape of non-financial organization's LIBOR risk will entail an in-depth analysis of all contractual relationships where a duty may arise or where a regulatory obligation must be met. Accomplishing this scoping exercise in a timely manner may feel akin to navigating a mine field and those failing to meet readiness deadlines may be given short shrift by regulators and exposed to a litany of potential issues, including litigation.

integreon

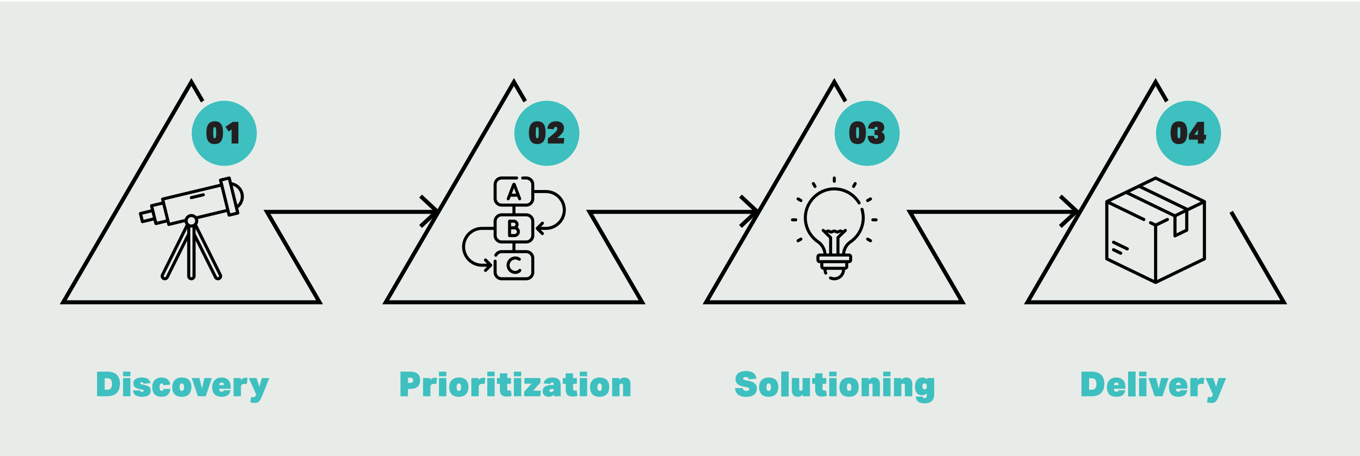
Understand the Shape of LIBOR Related Risk for Non-Financial Organizations

As a non-financial entity, the shape of LIBOR cessation risk may impact relationships relating to the following areas of activity:

- Analysis of hedging pairs will need to be conducted to mitigate against potential mismatches related to opposite trades, for example, involving cash products.
- In-house or third-party systems where LIBOR is embedded may not be sophisticated enough to adequately implement LIBOR reform calculation methodologies. Scoping will identify contracts with an IBOR nexus and inform strategic decision making.
- Separately, you may be required to adopt distinct approaches to reference rates, including a provision for an ongoing 'synthetic LIBOR' term rate for so called 'tough legacy' bonds and other 'irreducible' scenarios.
- If you are a regulated firm, Financial Conduct Authority (FCA) required internal policies, procedures and standards may also require amending to ensure full regulatory compliance.
- Due to LIBOR use as a global benchmark rate, an evaluation of all contracts which may contain an interest rate nexus is highly recommended.
- For bonds, unanimous consent may be needed and may require adoption of distinct and separate approaches to the treatment of reference rates, including a provision (both contractual and systems based) for an ongoing 'synthetic LIBOR' rate, in the event it is required for so called irreducible, 'tough legacy' scenarios.
- There may be a LIBOR nexus in customer contracts, acting as the benchmark used in default scenarios. If a timely plan is not in place, it may result in customer complaints, for example to the FCA or Financial Ombudsman, potentially leading to litigation due to the legal uncertainty introduced by LIBOR cessation.
- Arbitrage opportunities may arise for entities which have collateral optimization desks/functions. LIBOR cessation provides, in theory, the opportunity for cherry picking in relation to collateral movement.
- Due to the extent of LIBOR reform not being entity type, size or product related, an analysis of all contracts and related documentation, including internal guidance policies and procedures and standards (for regulated entities) is recommended.

Integreon's End-to-End 4-phase LIBOR Reform Approach

Through experience supporting global financial institutions, our approach delivers efficiency, quality assurance and mitigates risk. Integreon implements an end-to-end solution consisting the following four phased approach.



We can also offer these phases on a stand-alone basis to bolster implementation of an existing solution.

Delivering Transformational Solutions

Integreon is an alternative legal services provider (ALSP), experienced in providing regulatory event remediation solutions worldwide and equipped to readily and cost effectively:

- Provide a complete, end to end solution.
- Act as an extension or supplement an existing regulatory change program in a modular or bespoke manner.
- Provide access to highly skilled resources including lawyers, contract specialists, paralegals, and six sigma experts.
- Work seamlessly with technology providers, outside counsel, and other program contributors.
- Scale as needed drawing from 3,000+ global employees in the USA, UK, India, and the Philippines.

To learn more about LIBOR cessation readiness planning, contact info@integreon.com.