| | Trigger | Replacement Reference Rate | Replacement Benchmark Spread (adjustment) | Mechanism to Amend Credit Agreement |
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| **Amendment approach** | A) Benchmark Discontinuance Event or B) Determination by Lender that new or amended bilateral loans are incorporating a new benchmark interest rate to replace LIBOR. | 1) Alternate benchmark rate [set forth in applicable amendment] [agreed between Borrower and Lender] (which may include Term SOFR, to the extent publicly available quotes of Term SOFR exist at relevant time), giving due consideration to [i) market convention or ii)] selection, endorsement or recommendation by Relevant Governmental Body | A spread adjustment or method of calculating a spread adjustment set forth in applicable amendment, giving due consideration to [i) market convention or ii)] selection, endorsement or recommendation by Relevant Governmental Body | For Trigger A and B, amendment delivered by Lender to Borrower[, subject to negative consent by Borrower.] |
| **Difference with syndicated loans** | No difference | Technical: Consent borrower/lender rather than borrower/admin agent | Technical: no consent borrower/admin agent | Amendment delivered by Lender as opposed by borrower. Question of negative consent by borrower hence.<br>In syndicated loans, negative consent for Tigger (A) and affirmative consent for Trigger (B) |
| **Hardwired Approach** | A) Benchmark Discontinuance Event or B) at least [two] outstanding publicly filed syndicated loans are priced over Term SOFR subject, in the case of Trigger (B), to negative consent by Borrower | A waterfall approach: 1) First, term SOFR or, if not available for the appropriate tenor, interpolated SOFR. If not available, then: 2) Compounded SOFR. If not available, then 3) Lender selects an alternate rate [giving due consideration to market convention or selection, endorsement or recommendation by Relevant Governmental Body]. | A spread adjustment or method of calculating a spread adjustment that has been selected, endorsed or recommended by the Relevant Governmental Body. If not available, the spread adjustment or method for calculating the spread adjustment selected by ISDA. If Replacement Benchmark determined in accordance with clause 3 thereof, a spread adjustment selected by the Lender. | No consent of Borrower [unless Replacement Benchmark is determined in accordance with clause 3 thereof (Lender selects rate and spread)] in which case amendment will be subject to negative consent by Borrower.] |
| **Difference with syndicated loans** | In (B), no consideration of Replacement Benchmark Spread, trigger only looks at | No option 3 (overnight SOFR) but directly goes to Lender selecting alternate rate (option | Syndicated loans does stop after ISDA and does not contemplate Lender selecting a | Technical: Borrower negative consent rather than lender negative consent. |

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| | use of Term SOFR | (4) in the syndicated loans) | spread adjustment | No difference otherwise to syndicated loans approach. |

| Question | Proposed answer |
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| ***Question 1.*** *If the ARRC were to adopt one or more sets of bilateral 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?* | Same response as to syndicated loans approach, i.e. prefer hardwired approach over amendment approach. |
| ***Question 2.*** *Beyond your response to Question 1, are there product or transaction types, or methods of documenting transactions, for which either of the fallback approaches would be problematic? If so, please explain. What other approach would you suggest?* | Nothing identified |
| ***Question 3.*** *(a) Should fallback language for bilateral business loans include any of the pre-cessation triggers (triggers 3, 4 or 5)? If so, which ones?*<br>*(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.*<br>*(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* | Same response as for syndicated loans<br>Our preference is to not have pre-cessation triggers, with the concerns being two-fold:<br>(a) The timing of the triggers will then potentially be used by market participants depending on the then current market conditions, leading to arbitrage opportunities;<br>(b) Inconsistencies that these events could generate in respect of the events used under derivatives contracts – with different timings of switches potentially leading to hedging mismatches (for both corporate borrowers and lenders) which may trigger financial issues (how to hedge such mismatches), operational issues (dynamically manage the hedges) and regulatory and accounting issues |

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| *allow for production in a standard manner?* | (mismatches creates questions about hedge accounting potentially); |
| **Question 4.** *(a) Is an "opt-in" trigger appropriate to include? Why or why not?*<br>*(b) Do you believe an "opt-in" trigger should be included in both the hardwired and amendment proposals or only in one (please specify which and explain).* | Same response as for syndicated loans:<br>No. lenders and borrowers should be given the choice to switch based on Benchmark Discontinuance Events only. To the extent that such events are properly defined, they are available to all market participants. The opt-in would in addition create timing issues for both lenders and borrowers to opt-in at certain times when, for example, the spread adjustment is low/high. So it will create market timing issues for all participants as eluded to under Question 2 |
| ***Question 5.*** *Are there any other trigger events that you believe should be included for consideration? If yes, please explain.* | Same response as for syndicated loans:<br>Yes, there should be a possibility for participants to switch upon simple waiver request and consent without any specific reason |
| ***Question 6.*** *If the ARRC has recommended a forward-looking term rate, should that rate be the primary fallback for bilateral business loans referencing LIBOR even though derivatives are expected to reference overnight versions of SOFR? Please explain.* | Same response as for syndicated loans (question 5 of syndicated loans):<br>Yes, term rates should be the primary fallback. However, it would require a liquid market on those term rates and derivatives available for hedging purposes. If no liquid market is available, term rates would not be a good idea. |
| ***Question 7.*** *Should the Lender be able to eliminate certain interest period options if there are no equivalent SOFR terms available? If so, consider the following options: (i) the Lender may remove all interest periods for which there is not a published term rate or (ii) the Lender 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?* | Same response in substance than for syndicated loans:<br>Yes, the agent should be able to eliminate non-existing interest periods (by itself or with some other party).<br><br>There is liability risk , so it involves some third party to assist the administrative agent<br><br>The agent should then remove all options which do not exist rather than selectively in order to have the possibility to have the loan fit with the related hedge as best as it can (assumption is that ISDA fallbacks would also eliminate non-existing tenors). |
| ***Question 8.*** *Should "Compounded SOFR" be included as the second step in the waterfall? Why or why not? Would this preference be influenced by* | Same response in substance than for syndicated loans:<br>Yes, it should be included (in arrears, not "in advance") provided this fallback is used by ISDA |

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| *whether ISDA implements fallbacks referencing compounded SOFR or overnight SOFR?* | under derivatives contracts also. |
| ***Question 9.*** *If you believe that Compounded SOFR should be included, which compounding period is preferable ("in arrears" or "in advance")? Would this preference be influenced by whether ISDA implements fallbacks referencing compounded SOFR "in arrears" or "in advance"?* | Same response in substance than for syndicated loans:<br>In arrears (less hedging mismatch risks) – cf response to question 8 also |
| ***Question 10.*** *As noted, this consultation does not include Overnight SOFR as a final step in the waterfall. Do you believe that Overnight SOFR is an appropriate fallback reference rate for bilateral business 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)?* | Same response as for syndicated loans (Q9)<br>No, because it is not representative of actual funding costs. Our choice could be influenced by ISDA but also by accounting considerations (embedded interest rate option) as well as potential issues under Volcker rules (non-hedging derivatives) should the discrepancy between the interest on the loans and the derivatives to hedge the interest rate risk leave borrowers and lenders with too much mismatch which would prevent them from using the hedging exemption available under Volcker. |
| ***Question 11.*** *Is there any other 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? Please explain.* | Same response as for syndicated loans (Q11)<br>No (but please refer to our response to question 9 in which we express our strong preference for compounded interest/in arrears as per current ISDA fallback proposals) |
| ***Question 12.*** *Do you believe that the ARRC should consider recommending a spread adjustment that could apply to cash products, including bilateral business loans?* | Same response as for syndicated loans (Q12)<br>No, we would prefer switching to ISDA fallbacks to avoid mismatch risks |
| ***Question 13.*** *Is a spread adjustment applicable to fallbacks for derivatives under the ISDA definitions appropriate as the second priority in the hardwired approach spread waterfall even if bilateral business loans may fall back at a different time or to a different rate from derivatives? Please explain.* | Same response as for syndicated loans (Q12) with some modifications to improve clarity of comment:<br>Yes for trigger events (A) (no mismatch as timing of triggers and determinations would match ISDA contracts) but not appropriate for pre-cessation triggers (B) due to the mentioned mismatch risk indeed. |
| ***Question 14.*** *Is there any other spread adjustment* | Different answer given results of ISDA consultation<br>Ideally, include difference between IOS-swap rate |

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| *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?* | and the term swap rates to the extent such option as it would minimize value transfer, subject to ISDA taking the same approach which given most recent information may not be the case (ISDA consultation recommending a more simple approach of median/average historical spread). |
| ***Question 15.*** *For respondents that act as Lenders in the bilateral 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 LIBOR or term SOFR if there is a missing middle maturity, and (v) execute one-time or periodic technical or operational amendments to appropriately administer the replacement benchmark? Please respond to each and explain.* | (i) Yes<br>(ii) Yes (different to syndicated, but technical as in syndicated, this would be the agent rather than borrowers/lenders)<br>(iii) yes<br>(iv) yes<br>(v) yes (different to syndicated, but technical as in syndicated, this ould be the agent rather than borrowers/lenders)<br><br>[cf response 17 syndicated loans] |
| ***Question 16.*** *In any of these situations, should the Lender have the right to take the relevant action, for example to designate loan terms unilaterally within the framework of either Appendix I or Appendix II, simply by notice to the Borrower? Alternatively, should the lender have the right to take such action, subject only to the Borrower's right to withhold consent? Please explain which approach, or what alternative approach, you think would be better.* | Unilateral action seems problematic in general from a legal point of view unless it is obvious that any such change is technical only. However, this may be difficult to prove and a bilateral discussion will in all cases be necessary most likely, such that any such unilateral option would in practice not be used. |
| ***Question 17.*** *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?* | Same response as for syndicated loans (Q18)<br>Yes (liability risk + most loan agents not equipped to make such computations, would require consultation of investment bank hence issue public/private info) |
| ***Question 18.*** *Given that market practices and conventions may change over time, should the Lender'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?* | Same response as for syndicated loans (Q19)<br>The agent should be able to make such changes on a periodic basis. However, it may involve judgmental issues from the agent and hence it should be considered that agents can take independent advice, as otherwise agents may be reluctant to take any action (or omit to take any action) due to liability risk |
| ***Question 19.*** *Are there operational concerns about* | Same response as for syndicated loans (Q21) |

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| *having the ability to convert many loans over a very short period of time? Please explain.* | Yes – in the current systems, amendments cannot be automated, nor entered in the systems in advance for an application in the future. |
| ***Question 20.*** *Do you see other operational challenges that fallback language should acknowledge or of which the ARRC should be aware? For example, both approaches to fallback language involve various notices from the Lender– do these requirements and the resulting communications between parties impose undue operational burdens? Please explain.* | In substance same response than for syndicated loans<br>We agree that sending notices will be an important operational burden, creating issues with timelines, etc.<br>In addition, spread adjustment matrix to be stored on a daily basis over the transitional period potentially with 4 inputs (date of matrix relevant for a deal, computation method of spread retained for a deal, currency and tenor) |
| ***Question 21.*** *If bilateral business loans fall back to a different rate from derivatives, how do market participants expect to handle the interplay of loans and their hedges? Would market participants expect that current swaps would be terminated and a new swaps entered into once the loan has transitioned?* | We would either swaps to terminate or simply have the lender make a spread adjustment that would have the borrower bear the cost effectively. |
| ***Question 22.*** *Would market participants that execute interest rate hedges prefer to fall back to the same rate and spread that becomes operative under the ISDA Definitions even if a term SOFR is available? If so, please provide comments on the proposal for hedged loans set forth in Appendix VI, including a discussion of any operational concerns. Please provide comments on any other approaches you think could be useful in addressing fallbacks in loans and related hedges.* | Yes, as it would avoid mismatch risks and value transfer.<br>Reference to appendix VI unclear. Reference to appendix IV (ISDA fallback summary) ? |
| ***Question 23.*** *When a loan is only partially hedged, either by a swap that is not coterminous with the loan's maturity or a swap the notional amount of which is less than the loan amount (or the portion of the loan accruing interest based on LIBOR), should a trigger event result in the entire loan balance converting to the fallback benchmark? Would it be operationally practical to align only the hedged portion's terms with the terms of the swap? What other concerns would market* | We think that this is a theoretical situation and is not relevant in practice. |

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| *participants anticipate in operationalizing dynamic tranching of a partially hedged loan?* | |
| ***Question 24.*** *Are there any provisions in the fallback language proposals that would significantly impede bilateral business loan originations? If so, please provide a specific and detailed explanation.* | Same answer than for syndicated loans:<br>no |
| ***Question 25.*** *Please provide any additional feedback on any aspect of the proposals.* | Same answer than for syndicated loans in substance, added some details<br>Generally speaking, the mismatch risks are the most important issues. Under both approaches, any timing mismatch between the trigger event (ex. Cessation announced longtime in advance) and the switch implementation date (date of effective cessation) could be an issue under both approaches as it is linked to a period of uncertainty in respect of the actual RFR and compensation spread which will be used and which would require specific risk analysis. |