Response to ARRC's Securitization Consultation Question #18 (Please provide any additional feedback on any aspect of the proposal):

1. Replacement Benchmark Spread

   We propose making the following change:

   Securitizations Replacement Benchmark Spread Waterfall
   Step 1: Spread specified in contract at time of issuance
   Step ~~1~~2: Spread recommended by Relevant Governmental Body
   Step ~~2~~3: Spread in fallbacks for derivatives in ISDA definitions

   Where the replacement benchmark is a specified benchmark such as Term SOFR or Compounded SOFR, whose economic characteristics are capable of being assessed at the time of issuance, there should be an option for the spread adjustment simply to be a fixed number specified in the contract. So in the current spread adjustment waterfall, we would suggest inserting a new Step 1 (renumbering the others accordingly): "Step 1: Spread specified in the contract at time of issuance".

   An issuer could then specify contractually that, if the replacement benchmark chosen by the Replacement Benchmark Waterfall is either "Step 1: Term SOFR recommended by Relevant Governmental Body + Spread" or "Step 2: Compounded SOFR + Spread", then Spread will be (say) 0.14%, and in any other case Spread is not "hard wired" and will be determined according to the procedure in the Spread Adjustment Waterfall.

   From both an issuer and investor perspective, we think it is preferable to have a known spread adjustment, wherever possible, than to be beholden to the outcome of an official recommendation which is hard to predict and which the parties might strongly disagree with. If investors think the level set is too low, then the issuer has the option to take that feedback on board and adjust to attract bids, and if they don't then issuers can take that into account in their bids.

2. Securitizations Replacement Benchmark Waterfall - Compound SOFR + Spread

   In the case that compounded SOFR in arrears is used under the securitization replacement benchmark waterfall, depending on the transaction, there may be non-trivial issues in implementing that rate. For example, the calculation date may need to be moved (if it does not occur within 5 days of the payment date) and the yield trigger may need to be changed. Furthermore, the ARRC should consider including a provision in the consultation that permits the trustee and the issuer to make changes to other provisions in the agreements to affect the interest rate change without other parties' or noteholder's consent as long as such changes are not detrimental to noteholders' rights.

3. General Comment

   While the consultation is meant to address the benchmark rate for products that continue to use LIBOR prior to 2021, the ARRC working group should consider whether the consultation proposal also works for products that have already transitioned to SOFR/SONIA. Our concern is that while the ARRC working group is in the process of developing the consultation, the market is evolving and may imminently move away from LIBOR issuances.