Farm Credit Services of America, ACA's response to the ARRC Consultation regarding more robust LIBOR fallback language for new originations of LIBOR Syndicated Business 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?

Response: FCSAmerica can and will support ARRC adoption of either and/or both sets of business fallback language presented to include the amendment approach and/or the hardwired approach.

Question 2. (a) Should fallback language for business loans include any of the pre-cessation triggers (triggers 3, 4 or 5)? If so, which ones? (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. (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?

Response: FCSAmerica would support inclusion of fallback language for pre-cessation triggers (3) an unannounced stop to LIBOR, (4) a material change in LIBOR and (5) a shift in regulatory judgement of the quality of LIBOR that would likely have a significant negative impact on its liquidity and usefulness to market participants. We would have no concerns regarding the inclusion of these triggers and if these pre-cessation triggers are not included we would support language that would protect market participants in the event of the trigger conditions.

Question 3. (a) Is an "opt-in" trigger appropriate to include? Why or why not? (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.

Response: FCSAmerica supports opt-in triggers and would prefer the hardwired approach. Early opt-in would be preferable from an operational standpoint and anything to reduce ambiguity in go-forward loan arrangements is also preferred.

Question 4. Are there any other trigger events that you believe should be included for consideration? If yes, please explain.

Response: FCSAmerica does not have any additional trigger language to propose but would ask that ARRC be mindful of extreme market volatility that potentially would make LIBOR untenable.

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.

Response: Due to practical considerations, FCSAmerica would support the ARRC recommended forward-looking term rate with the knowledge that perfection of hedging activity could be difficult to obtain. We are confident that the market will provide tools to reduce material risk provided there are significant differences between forward-looking term and overnight rates.

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? 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?

Response: We would support the Administrative Agent having the ability to eliminate certain interest period options if there are no equivalent SOFR terms available provided the conditions under which this action would be taken is clearly defined.

Question 7. Should “Compounded SOFR” be included as the second step in the waterfall? Why or why not? Would this preference be influenced by whether ISDA implements fallbacks referencing compounded SOFR or overnight SOFR?

Response: FCSAmerica supports “Compounded SOFR” as the second step in the waterfall.

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.

FCSAmerica would support Compounded SOFR in advance as the preferred method. Compounded SOFR in Advance and Compounded SOFR in arrears are both workable solutions as the second step of the waterfall.

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)? Would this preference be influenced by whether ISDA implements fallbacks referencing compounded SOFR or overnight SOFR? Please explain.

Response: We feel that Overnight SOFR is an appropriate fallback reference rate for syndicated loans as the final step in the replacement rate waterfall but would wish to be consistent with ISDA guidance. Thus we would prefer to follow the lead of ISDA regardless if they adopt Overnight or Compounded.

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.

Response: With our match-funding mechanism in place, we as a lender would be willing to agree to syndicated loans lasting three months or longer provided basis risk continues to be managed.

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?

Response: FCSAmerica would support “Mutually Agreeable” language as an option (perhaps final step) in the replacement rate waterfall.

Question 12. Do you believe that the ARRC should consider recommending a spread adjustment that could apply to cash products, including syndicated business loans?

Response: We would support ARRC consideration and insights into spread adjustment for cash products. Understanding of any potential spread adjustment and its methodology as well as market acceptance of such would be primary considerations to FCSAmerica.

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.

Response: Appropriateness of a spread adjustment used for derivatives as the second priority in the spread waterfall would depend of the availability of information as well as any potential basis volatility.

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?

Response: At this time FCSAmerica has no additional recommendations for additional spread adjustments to be added to the hardwire waterfall.

Question 15. (a) Under the amendment approach proposal, if parties are selecting a replacement rate through the amendment process, should the objection of the Required Lenders be by class (if applicable) (see clause (b) of the section titled “Effect of Benchmark Discontinuance Event” in Appendix I)? Why or why not? (b) Under the amendment approach proposal, if parties choose to select a replacement rate through the “opt-in” amendment process, should the affirmative consent of the Required Lenders be by class (if applicable) (see clause (b) of the section titled “Effect of Benchmark Discontinuance Event” in Appendix I)? Is affirmative consent appropriate or should negative consent be considered instead? Please explain.

Response: FCSAmerica does not support class voting due to the potential difficulties regarding making an objection effective while realizing that majority lenders could then potentially over-ride minority lenders.

Question 16. (a) Under the hardwired approach proposal, if parties must fallback to selecting a replacement rate through the amendment process because none of the options in the replacement rate waterfall are available, is the objection of the Required Lenders by a class appropriate (if applicable) (see clause (d) of the section titled “Effect of Benchmark Discontinuance Event” in Appendix II)? Why or why not? (b) The hardwired approach proposal provides two bracketed options for a successful declaration of the “opt-in” amendment process - Required Lenders (typically a majority) vs. supermajority (2/3) of lenders (see clause (B) of the definition of “Benchmark Transition Determination” in Appendix II). What should be the standard affirmative lender voting threshold for consenting to the “opt-in”? Please explain.

Response: Again FCSAmerica would not support class voting for fallback through the amendment process provided none of the options are available in the replacement rate waterfall during the hardwire approach. We do support the continuation of the 2/3rd super-majority industry accepted practice.

Question 17. For respondents that act as administrative agents in the syndicated 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 term SOFR if there is a missing middle maturity and, (v) execute one-time or periodic technical or operational amendments to allow the administrative agent to appropriately administer the replacement benchmark? Please respond to each and explain.

Response: Yes, FCSAmerica would support administrative agents to work with borrowers to identify a new reference rate or spread adjustment, determine triggers, select screen rates where reference rates are to be found, interpolate term SOFR and to execute one-time or periodic technical or operational amendments in order to appropriately administer the replacement benchmark.

Question 18. 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?

Response: For transparency, we would prefer any replacement rate and/or applicable spread be published by a third party.

Question 19. Given that market practices and conventions may change over time, should the administrative agent'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?

Response: We support the Administrative agent's limited ability to make conforming changes on a periodic or even on-going basis.

Question 20. How important is it for the fallback rate to be available prior to making a borrowing/advancing funds? For instance, if the rate was a compounded three-month rate calculated at the end of the interest period, would that be problematic? Please explain.

Response: We would support the ARRC position regarding availability of fallback rates provided methodology is clearly defined.

Question 21. Are there operational concerns about having the ability to convert many loans over a very short period of time? Please explain.

Response: FCSAmerica is not concerned with potential operational issues of converting many loans over a short period of time.

Question 22. Do you see other operational challenges that fallback language should acknowledge or of which the ARRC should be aware? Please explain.

Response: We do not have any additional operational concerns that need to be communicated to ARRC.

Question 23. What modifications to the syndicated loan consultative language may be helpful to market participants as they consider more robust fallback language in a bilateral or single-bank business loan context, if any? Please explain. Specifically, what modifications to the language may be appropriate in instances in which the bilateral loan is fully or partially hedged? Please explain.

Response: FCSAmerica does not have any additional feedback regarding provisions in fallback language in a bilateral or single-bank business loan context.

Question 24. Are there any provisions in the fallback language proposals that would significantly impede syndicated loan originations? If so, please provide a specific and detailed explanation.

Response: FCSAmerica is unaware of any provisions in the fallback language proposals that would significantly impede syndicated loan originations.

Question 25. Please provide any additional feedback on any aspect of the proposals.

Response: We have no additional feedback at this time. We appreciate the opportunity to be a part of this process and will work with other stakeholders as this issue evolves.