

Alternative Reference Rates Committee  
Secretariat

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**Feedback on ARRC Consultation Regarding More Robust Libor Fallback  
Contract Language for New Originations of LIBOR Syndicated Business Loans**

Dear Secretariat

Swiss Re respectfully submits this feedback letter to the Alternative Reference Rates Committee in response to the questions raised in the above referenced consultation. Swiss Re is a 157-year old global reinsurance company that has helped rebuild American lives and communities from every major natural disaster since the 1906 San Francisco earthquake.

**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 pre-cessation triggers (triggers 3, 4 or 5)? If so, which ones?*

Yes, trigger 3.

**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.*

Yes, preference for hardwired approach.

**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 would like to see consistency and certain across the loan market

**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?*

Yes, the administrative agent should be able to eliminate certain interest period options if there are no equivalent SOFR terms available. Preference is for the administrative agent to remove all interest periods for which there is not a published term rate. Interpolation may introduce subjectivity and uncertainty.

**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?*

Yes. Yes, this preference would be influenced by whether ISDA implements fallbacks referencing compounded SOFR or overnight SOFR, as we would prefer consistency across the asset classes.

**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.*

Compounded SOFR in arrears be preferable for syndicated loans

**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.*

Yes. Yes, this preference would be influenced by whether ISDA implements fallbacks referencing compounded SOFR or overnight SOFR, as we would prefer consistency across the asset classes.

**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.*

No. Yes, in our view lenders could refuse to offer longer-duration loans.

**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.

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**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.*

Yes.

**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.

**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?*

Yes, by class.

*(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.*

Yes, by class. Affirmative Consent is appropriate

**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?*

Yes, by class.

*(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.*

Required Lenders (typically a majority) in order to facilitate timely decision taking.

**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.*

Not applicable; Swiss Re does not act as administrative agent.

**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?*

Yes, rates should be capable of being easily and objectively verified.

**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?*

On an ongoing 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.*

Very important for the fallback rate to be available prior to borrowing/funding.

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

Yes, resource concerns to manage such task 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.*

Yes, any adjustments could become a real resource burden to administrative agents.

**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.*

We would prefer to see consistency among different types of loans

**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.*

No.

Yours sincerely,



Swiss Re Management (US) Corporation