LMA RFR Documentation Survey 2024

The LMA is in the process of reviewing and consolidating its documentation suite. This is to ensure that the documents contained within the suite are the ones that are most helpful for, and used by, the market.

As a result of IBOR transition, LMA documentation has naturally developed in an iterative manner as transition milestones approached and the market adapted to the rates available at the time. As the market settles, we are looking to consolidate the LMA's documentation suite, as well as update the LMA's documentation as appropriate to reflect the relevant RFRs used in the market.

As part of this exercise, please note that the LMA already has plans to do the following which we understand will be helpful to the market:

- Produce a single currency EURIBOR-referencing document with a fallback to €STR (with options for either term €STR or compounded €STR)
- Produce a form of investment grade template which references term SOFR as well as EURIBOR with a fallback to term €STR
- Consolidate any separate documents which are based on either with / without observation shift
- Update the leveraged suite of documentation to reference term SOFR.

With the above overview in mind, we would be very grateful if you could assist us with the consolidation process by answering the following questions on the LMA's RFR documentation suite.

* Required

1. **Institution name** *

2. **EURIBOR fallbacks (a)**

As noted in the introduction, in addition to the existing term €STR fallback exposure draft, the LMA is planning to produce a form of single currency EURIBOR-referencing document with a fallback to €STR. This would be based on a non-modular approach, i.e. interest rate benchmark provisions being in the body of the document rather than in schedules. This would allow parties to incorporate fallbacks from EURIBOR to either term €STR or compounded €STR with as few changes as possible to the underlying documentation. It is hoped that this might encourage parties to adopt robust fallbacks to EURIBOR. Do you agree that this single currency non-modular document would be helpful for the EURIBOR-referencing market?

*Please select **either** Strongly Agree, Agree, Neutral, Disagree, or Strongly Disagree.*
Please add additional comments in the blank 'other' option below.   *

☐ Strongly Agree

☐ Agree

☐ Neutral

☐ Disagree

☐ Strongly Disagree

☐ Other

3. **EURIBOR fallbacks (b)**

As part of the updates made to LMA documentation to strengthen EURIBOR fallbacks, the LMA made changes to the temporary fallbacks waterfall to make it more robust, adding additional steps before reaching cost of funds. We are mindful that there are a number of steps included in this temporary waterfall (including interpolated rates, shortened interest periods, historic rates, interpolated historic rates, alternative term rates, interpolated alternative term rates, compounded rates / central bank rates and cost of funds). Do you think that the temporary fallback waterfall should be simplified and, if so, how?

*Please select **either** Strongly Agree, Agree, Neutral, Disagree, or Strongly Disagree.*
Please add additional comments in the blank 'other' option below.   *

☐ Strongly Agree

☐ Agree

☐ Neutral

☐ Disagree

☐ Strongly Disagree

☐ Other

4. **Alternative term rate interim fallback**

The LMA's RFR-referencing documentation contains an optional interim fallback to an alternative term rate (e.g. the Term SOFR referencing documentation has an option for ICE Term SOFR as a temporary fallback to CME Term SOFR). This was included following market feedback which indicated a preference to maintain optionality to reference an alternative term RFR rate. We understand that market practice on this may now have changed. Please could you indicate whether you see the use of the alternative term rate concept in loan documentation?

*Please select **either** Never, Rarely, Sometimes, or Frequently.*
Please add additional comments in the blank 'other' option below.   *

☐ Never

☐ Rarely

☐ Sometimes

☐ Frequently

☐ Other

5. **Term SOFR fallbacks**

The Term SOFR fallbacks included in LMA documentation are described as suggestions only. Other than compounded in arrear RFR rates and central bank rates, do you see the use of other fallbacks to term SOFR and, if so, which fallbacks do you see used? *

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6. **Baseline CAS**

The LMA's day one RFR-referencing documentation contains the option for the use of a Baseline CAS. This was included based on market feedback during the early stages of transition that it would be helpful to maintain optionality on structuring the pricing of transactions. Now that LIBOR has ceased, please indicate whether you still see the use of a Baseline CAS on new transactions.

*Please select **either** Never, Rarely, Sometimes, or Frequently.*
Please add additional comments in the blank 'other' option below.   *

☐ Never

☐ Rarely

☐ Sometimes

☐ Frequently

☐ Other

7. **Revised replacement of screen rate clause**

The LMA's English law Revised Replacement of Screen Rate Clause also went through an iterative process. Given where we are in the transition process, the intention is to archive the English law documents related to this Clause from the website (except to retain the RFR Terms which may be a useful reference point for JIBAR transition). Do you agree with this approach?

*Please select **either** Strongly Agree, Agree, Neutral, Disagree, or Strongly Disagree.*
Please add additional comments in the blank 'other' option below.　　*

☐ Strongly Agree

☐ Agree

☐ Neutral

☐ Disagree

☐ Strongly Disagree

☐ Other

8. **Reference rate selection agreement**

Given where we are in the transition process the intention is to archive the LMA's Reference Rate Selection Agreement. Do you agree with this approach?

*Please select **either** Strongly Agree, Agree, Neutral, Disagree, or Strongly Disagree.*
Please add additional comments in the blank 'other' option below.　　*

☐ Strongly Agree

☐ Agree

☐ Neutral

☐ Disagree

☐ Strongly Disagree

☐ Other

Most Often Used Templates and Further comments/suggestions

9. **Most often used templates**

For the below types of facility / interest rate drafting, please rate how often you see these being used. *

	Never used	Rarely	Sometimes	Frequently
Rate switch from IBOR (under "Rate Switch" section of documents index)	◯	◯	◯	◯
With observation shift	◯	◯	◯	◯
Without observation shift	◯	◯	◯	◯
Backward-looking compounded rates only	◯	◯	◯	◯
Backward-looking compounded rates and forward-looking IBOR-type term rates with rate switch provisions	◯	◯	◯	◯
Single currency term SOFR for use in developing market jurisdictions (non-modular drafting)	◯	◯	◯	◯
Backward-looking compounded rates plus term SOFR	◯	◯	◯	◯
Backward-looking compounded rates plus term €STR fallbacks	◯	◯	◯	◯

10. Do you have any further comments to add in relation to the above templates?

[   ]

11. **Further comments / suggestions**

Are there any other suggestions you have for tidying or simplifying the suite of LMA RFR documentation which have not been covered in the previous questions?

12. We will review all feedback received and may follow-up for further clarification or discussion. If you would like to be contacted for these purposes, please leave your name and email address below.