



NCREIF Winter Conference 2021

LIBOR Transition – General
Session

March 17, 2021



NCREIF 2021 Virtual Winter Conference

LIBOR transition update

The last 12 months of LIBOR transition

General

- On March 5, 2021, it was confirmed that USD-LIBOR will continue publication through June 30, 2023
- This announcement set the "spread adjustment" for 1-month USD LIBOR at 11.448 bps and for 3-month USD LIBOR at 26.161 bps

Derivatives markets

- The CCPs completed their discounting transitions in October 2020
- ISDA launched their IBOR Fallbacks Protocol and Supplement in October 2020 which became effective on January 25, 2021
 - Over 13,000 entities have adhered to the Protocol
 - Barring some pre-agreed exception, ISDA's new fallback definitions apply to new derivatives after January 25, 2021
- Both CCPs have incorporated ISDA's fallbacks into their rulebooks

Loan markets

- In the loan market, the GSEs have stopped originating new LIBOR-indexed financings and are only originating SOFR-based loans
- New loans incorporate fallback language for LIBOR, though such language continues to vary
- In CRE, we still have not seen lenders outside the GSEs quoting non-LIBOR based financings or providing clarity on how they intend to administer loans

Accounting

- ASC 848 provides for elections to continue existing accounting for contracts modified solely for changes in terms related to reference rate reforms
- Other changes of terms unrelated to the reference rate would result in the inability to make elections to maintain current contract accounting

What we are still waiting on

- When will there be a “term SOFR”?
- Will banks adopt “add-ons” for credit spreads?
- When will banks actually start making non-LIBOR based loans to commercial real estate borrowers?
- How will non-LIBOR indexed loans be administered? Will there be a multi-rate world?
- What is the future of the Legislative Fixes, both in the NY Legislature and possibly Federally?
- How will the FCA use new powers related to ensuring an orderly wind-down of LIBOR granted to them under the Financial Services Bill?
 - The FCA will “continue to consider” whether to compel IBA to publish synthetic one-, three-, and six-month USD LIBOR beyond June 30, 2023

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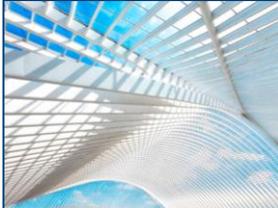


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