Actualizing Success: Demystifying the LIBOR Transition

Jennifer Herdin: And it seems to be that we're in this position of who wants to go first and come out and say this is this should be our standard. And this is how we're going to move forward. And since nobody's doing that there's nothing to even get consensus on. So that's kind of, frankly something that I'm a little nervous about.

Welcome to Actualizing Success. In this podcast series. our in-house advisors discuss today's finance and technology topics, with an emphasis on solutions that embrace tomorrow.

Chad Wekelo: Hello, everyone. This is Chad Wekelo with Actualize Consulting. Welcome to Actualizing Success. We will be focused today on the LIBOR transition. Very excited today to have two very esteemed guests with us. They are very knowledgeable in the industry and are both active working members of the various ARC working committees in the industry. We have Chris Ekonomidis, who is the director of the LIBOR transition program at Bank of New York Mellon, and Jennifer Herdin, the VP of corporate Treasury at PVH Corp. Welcome to the podcast. Let's just dive right into it. What I wanted to focus on today, and what I think will be interesting to the audience is to talk more about, starting at a high level, is what trends are we seeing, and what is sort of the timeline out there. There still seems to be a lot of confusion. When we talk to different participants in the industry about what's going on - the banks aren't helping in that conversation. And then we'll dive into some more practical applications for our audience today. And so, Chris, just, you know, thinking about timeline, if we're individuals out there in the marketplace, maybe we can try to summarize sort of where we are, from a timeline perspective, what people need to be thinking about, and what they should be doing between now and what period to try to get ready.

Chris Ekonomidis: Sure. Thanks, Chad. And thank you very much for having me on. I think one of the primary dates to maybe go back to was March 5, when the benchmark administrator and the UK regulators indicated that LIBOR with certainty will be going away. They specified the date on which it will be going away. And for that non-dollar, labor, and two kinds of rarely used tenors, from the US dollar perspective, that one weekend, two months, those tenders are all going away as of the end of this year. And US dollar tenors, most of the more popular ones, actually every other one except for those that they will be facing on June 30th, of 2023. So, it's a bit of an extension, an 18-month extension for the USR LIBOR publication. So that those instruments based on those rates, can, we'll continue to kind of be quoted for an additional 18 months to provide a little more breathing room for the overall transition. One of the key dates that have come out is that is the end of the year. So as of next year, LIBOR will not be allowed in any currency US dollar included for new contracts. And I think that's very key. I think, from my perspective, talking to the various people, the nuance seems to have kind of been missed a few times. The fact that the US dollar will continue in existing contracts for additional 18 months, that in no way impacts the fact that new contracts will not be allowed in USR LIBOR, beginning in 2022. So, I think that's one of the key dates that everyone needs to need to be aware of. So, from a funding perspective, looking at credit facilities, everything as of next year will need to be at a non-liable rate.

Chad Wekelo: That's it's a great distinction. And definitely, one that I don't think this is realized without them throughout the industry. So, while there are some extensions, specifically for existing contracts, there is no such thing as a new contract. So, people need to be aware of that and what impacts them.

Specifically, you know, as you think about so that gives us a good idea that the timeline and where we are Jennifer, I guess I'd be curious to hear from you. Is a practitioner in the industry? What are some of the developments that you guys are seeing? And potentially How do people think about impacting those? You know, we're, we're in this position where we have a pretty tight deadline that has been laid out as Chris just defined, but there's still a lot of moving pieces. So, you know, it's like, okay, you have to meet the state, and you have to move. But when people go out and try to take action, I think people get overwhelmed, because there's not a clear direction and a lot of areas. So, I guess I'm just curious, you know, as you go out, and you think about, you're talking to the banks, you're trying to go through some of these different transactions and be prepared from your perspective. What are some of the developments? What are you seeing, and how can people sort of start to try to get their handle around this?

Jennifer Herdin: Yeah, so that's one question. Certainly, you have more momentum by now. So as a practitioner, I'm also, as you mentioned, a member of the non-financial working group. So, there are about 90 corporates that are in the non-financial working group for the ark. And, you know, there's sort of a consensus among most of us. So, what are some things we can do, we can identify our stakeholders within our organization, because, you know, Treasury's very close to this, and we're getting updates from our banks, and we're clued in, but is does your legal, tax, and accounting team know? Are they all aware because they are going to be impacted? So that's one thing take inventory of what will be impacted by this change, to start talking internally to your stakeholders and educating them on the transition? Three, what are things that you can change now? So, the ARC in the non-financial Working Group came out with guidance for intercompany? loans conventions? So that's something you can do. And four, just stay engaged with your bankers, read through your language and your credit facility understands what approach you have, do you have the amendment approach? Have you shifted to the hardwired approach? If not, you should be talking to your bankers about this and understand their timeline to make this change within your credit facility.

Chad Wekelo: So, I'm curious and pretty excited that we have two people from the working committees from the ARC. But so, there's a lot of recommendations that are coming out from the various regulators, you know, aren't being one of the main ones specifically here in the US. But there seems to be some friction, or maybe just natural friction between what is being laid out with the regulators versus what is occurring and how the market is starting to evolve in practice. So, let's just take the intercompany loan, right, so that's the recommendation. But in practice, like, with all these particulars you're working with, is that the sort of hard and fast approach that people are taking by saying “Okay, this is the recommendation from ARC so, we're just going to adopt it” or is it more variation than just cut and dry, take this recommendation and run with it.

Jennifer Herdin: That's a good point. I mean, for us, maybe because the committee wrote that, and we came out, we had a consensus. So, we built that recommendation. And so that was feedback from a lot of our members. So, for me, yeah, maybe it's, it's more easily to adapt because I understand it. And I know why we came up with that approach. But if you're not tied into it, maybe you're not ready yet, maybe you want to tie it into, you know, what you're paying on your credit facility, there's a lot of reasons why you wouldn't sort of make that shift, just chat, I can understand that.

Chad Wekelo: Let's talk about credit facilities, I know that's an area that's a little bit thornier, you know, from trying to go down that path. And it is specifically as we talked about, you know, the bank. So, as we

have out there, different calculation methods are there, there are different reference rates, at least here in the US that is discussed and talked about, and obviously, SOFR is the one that the regulators are sort of have endorsed. But, you know, when you go out to the banks and you start to say, “we're wanting to renegotiate our credit facility”, what are you hearing from the banking side, as far as some of the challenges that you're having when you go out to market, given, there's still some variability and a lot of these components?

Jennifer Herdin: You know, the consensus amongst the working group is, especially those of us with a large credit facility with 20 plus banks, nobody's agreed on 1. what that benchmark is going to be and 2, how are you going to calculate it? You know, is it in arrears? Or is it in advance? Are people just holding out for term rates? and it seems to be that we are in this position of who wants to go first and come out and say, this should be our standard, and this is how we're going to move forward. And since nobody's doing that, there's nothing to even get consensus on. So that's kind of frankly, something that I'm a little nervous about is that we're not seeing a consensus yet.

Chris Ekonomidis: And it's a challenge. I think, you know, LIBOR has been around since the mid-80s. And everyone's gotten comfortable with, you know, for all its shortcomings, everyone's been comfortable with what it is, how it behaves, and how it behaves in certain situations. And the move to risk-free rates does represent a bit of a change, you know, there have been the recommendations from Mark, there have been variations on the calculation of that rate. So, you know, kind of, as you mentioned, the market conventions for how to go ahead and calculate interests, looking at how overnight risk-free rates have changed, and systems did need to go ahead and be updated. I think the ark and other kinds of industry groups have come up with ways to alleviate some of that operational kind of system-level pain. But, you know, there's still a question of what it means, and you know, to Jennifer's point, a lot of people do seem to be waiting for kind of a term rate and don't think the ARC it laid out but it's three principles for what it expects to do to see in the market before a term right kind of being recommended. So, they've been pretty clear on that aspect. And just kind of waiting for those principles to materialize.

Chad Wekelo: Well, that's part of the problem, though, right? I mean, those pieces, there's no timeline, right? It's not there's no definitive timeline too, although they laid out the principles, the principles are large, in my opinion, based on adoption, right? Because a lot of them are liquidity-driven. And you don’t have any more depth in the market, which is going to occur if people can start to take action, which leads me to believe that, and I'm curious to hear your guy's opinion, that you have to plan for not having the term SOFER by some of these dates that are laid out there because I think you're going to have to start to take action? I mean, ideally, you would have already started to take action. But even if it's available, by the end of the year, you would have had to plan and take other action before it's going to be available. So, I mean, do you see it being an alternative to sort of wait? Or do you think you people need to? Maybe you just need to have multiple scenarios? And what are you seeing Chris, as far as best practices and as far as how people can manage this?

Chris Ekonomidis: During certain jurisdictions have been much more prescriptive around what the next rate will be? And I think that's served them well, in the US, the ARC has made recommendations. The EU has been stated from a regulatory perspective is that LIBOR is going away, and everything else could have been left to the market to go ahead and define what's there. I think, from what I've heard several clients say, it might be great to go ahead and kind of wait for the answer, but hope may not be a good plan. So, looking at these kinds of multi-billion-dollar businesses or hundreds of millions of dollars’

worth of financing, you know, it might make sense to take a look at what is available and make sure that an adoption path there. And it may be the priority, maybe, you know, multiple rates in the near term. How does each one of those rates fit in? How will each one of those rates be calculated? Will you be able to do funding forecasting, etc.? And, you know, hold on drawing lines of credit where needed with some expectation of what those costs are going to be. I think that those are key discussions for the industry to be having with your banks. And I would also say, this is affecting the entire industry as a whole so the earlier you can start those discussions, I think the better off you'll be.

Chad Wekelo: How much do you see the individual participants being able to drive that discussion, right? So, there are alternatives in the marketplace. But if you go to your bank, and you say, “okay, I've done the analysis, on my end, here's the approach that I want to take”, do you think they'll have that flexibility? Or do you think the banks are going to be like, well, thank you for that analysis but here's the approach we're taking? If you want to do business with us, here's the answer or the approach that we're taking” Is that what you think bank-specific is? Are you seeing that? I don't know, Jennifer, I know you've been having some conversations with the bank. And, Chris, I know, you've talked to a lot of clients, I'm curious to hear both your opinions.

Jennifer Herdin: I think on a bilateral, it's a different conversation because obviously, we've seen so far debt being issued. So, in a bilateral, I think there's more room between the bank and the company, to determine that benchmark and the calculation and move forward. As we talked about before, it gets extremely complex when you have 25 banks that now need to form a consensus on what the bank benchmark is, and how it's going to be calculated.

Chad Wekelo: With the bilateral you have seen the participants having some say some driver in the outcome of what they want to do versus the bank sort of more, adopting a certain approach?

Jennifer Herdin: I wasn't privy to the conversations but based on feedback from the working group, it does seem that there have been successful bilateral issues.

Chad Wekelo: Chris, what about you? I know, you talked to a ton of different customers in the industry.

Chris Ekonomidis: Yeah, I think from my perspective, you know, just given I think also kind of the unique positioning of being my melon, kind of in the financial services, infrastructure, we don't have the luxury of kind of waiting for waiting to see which market convention will emerge. So, kind of from a service servicing perspective, we have built-in flexibility to be ready for all rates, all different kinds of market conventions for calculation types, etc. And I think that's a key company component. I think that it helped us and, you know, other banks, I think it's going to be bank-specific as far as whether they're ready to go ahead and kind of comfortable issuing in one rate versus another, or multiple rates. You know, that's, I think, somewhere where the, you know, hopefully, we'll see some movement in market conventions, and maybe some solidification in the market in the coming months. But it does seem to be still kind of waiting. And the danger there is the timeline for switching LIBOR is not going away. So, you know, we're just, every day we waited a bit closer to the switching date.

Chad Wekelo: Yeah. And, and so when clients are reaching out to their banks, I mean, how do you suggest they reach out to them? Is there a certain approach certain, you know, analysis that you would recommend they do before they go into the banks? Is it, you know, before they do too much work, just having a conversation with the bank? We hear a lot of, I don’t want to say frustration but a sort of

concern from some of our clients with the banks because they aren't providing as much guidance as they would like, in some regard. So, I don't know, Jennifer, I know you guys are, I would say, ahead of the game, compared to a lot of the clients that we see and you're lucky because you're a part of the ARC working committee. But when you're having those conversations with the banks, and what would you sort of recommend people do either before or how much preparation? How should they approach the banks with these conversations?

Jennifer Herdin: I think it's important to know the options, right? And understand the benchmarks, the calculations, whether you're going to do advance and, in a rear, see if your accounting team has a view which they very well might have a point of view on this. So, go into it as educated as possible. And certainly, make sure you know, that you have some system readiness that you've had conversations on your side, whatever, whatever calculation and methodologies choose forward, are your systems able to adapt? Is your MRP system able to calculate it? Or will you be able to calculate it in an Excel, worst-case scenario, to verify your interest and book your accruals? And then, you know, make sure that they're giving you answers and just not pushing you off, like have a meeting to discuss and possibly set up timelines because we're backing into an end date. There is a timeline that should be in place to see when you're going to amend your existing facilities, what that hardwire approach looks like, and how they plan to calculate it on their end, and whether or not the bank is ready.

Chris Ekonomidis: You spoke about this earlier, Jennifer, but you know, bring in other stakeholders. So, your kind of mentioned accounting as a stakeholder for, you know, what types of market conventions they might be comfortable with. I also think it's very important to talk to kind of the technology teams, just to see which rates are, you know, what rates, what conventions, whether it's using an index, whether it's using one of the kinds of alternative rates, which one’s plugin well, to kind of assistance you have, which ones fit your needs, from a company perspective. Understand what's out there, there is a ton of information out there from ARC, the OFTA, Bankers Association of Trade and Finance. There's a lot of information that's out there that can be leveraged to educate kind of yourself in advance of meeting with the bank.

Chad Wekelo: It almost seems like there's too much information, it is almost overwhelming.

Chris Ekonomidis: There's a lot.

Chad Wekelo: I think that's what I see. People are looking to their banks to provide that sort of summary information and guidance, and maybe that's why but you know, maybe that's the answer, right? You need to at least do some high-level education of yourself. I would agree. I mean, I think the ARC does have a lot of really great content out there. You need to be prepared to go to that conversation. Jennifer, I think that's probably the best advice, right? I mean, you don't need to be an expert, but you need to at least be grounded so that you can engage the bank in the right way and sort of go through some of those components. We also see that Treasury groups, because of where they set the key stakeholders between them and legal, are leading the charge, so to speak within a lot of corporations, which is sort of an interesting perspective. So, I think a lot of this is falling on the Treasury groups and in a lot of the companies that we see.

Jennifer Herdin: Yeah, it's your risk. I mean, we did on part of the ARC, a study of all the public companies that had to make note of this and their financials, right, and identify the library transition as a

risk. And, you know, as of last year, there's been a big uptick in that and so everybody's looking to Treasury to sort of giving back, but it depends on what that potential risk will be.

Chad Wekelo: Yeah, well, it's a guess a good and bad double-edged sword as far as a position to be in. Not everybody's as lucky as you to be so close to the market Jennifer. Chris, I guess I'm curious and want to talk a little bit more about the market. Given the position you're in, is there anything that you, if you had your crystal ball out in front of you, where would you be sort of laying your bets, as far as where the market goes? Or would you just be on the sidelines not making any bets? Because as people are trying to start thinking about this, the more insight they have the better. Given your position, what would be insightful for people?

Chris Ekonomidis: Yeah, I'd go back to some of the stuff Jennifer mentioned earlier, you know, as far as readiness, and also, you know, understanding what is within your control intercompany loans, you know, are within your control for larger firms that have investment portfolios. That's something that you can and should be looking at right now. So, you know, the fallback language, it's available from various perspectives. Go ahead and take a look at that and have legal take a look at it, look at your own, you know, insurance or your credit lines. Is there a fallback language in there to understand the universe and how they live word transition affects you? Is it in procurement contracts? Where does it have fallback language? Are you comfortable with what's in there? Can you control what's in there? If it's not a bilateral deal, there's a better chance you can go ahead and do that. If it's something that is within an investment portfolio, you can go ahead and potentially exchange that for something, another instrument that has fallback language that you're more comfortable with, or the 30 based in an alternative rate. So, from my end, you know, it can be daunting, but try to understand, you know, how the transition affects the company, and which pieces you can control. You know, which pieces are you happy with, versus which cases you may want to go ahead and kind of swap out or monitor, as you know, to get closer to the station.

Chad Wekelo: So that's, I think that's helpful from an operational perspective. But from a market position, you know, if you need to make these positions, as you said, In the US, it's been less prescriptive, and, and more market-driven, but the markets still evolving. So, to think about that you have to make that commitment. Let's just say you're due to renegotiate a term loan or your credit facility, you're going to have to make a choice, right? If one of these directions that you go, it will have an economic impact, too. So, I mean, are you seeing companies be more taking the regulated recommended route, which is the safer route since there several other reference rates out there in the US that are sort of vying for traction? Are there any certain areas that you see those gaining traction in the marketplace?

Chris Ekonomidis: I don't know if I've seen necessarily traction yet. There's been a lot of noise and emphasis on some of those alternatives recently, in the past few months, but I don't know, I don't think they've moved the needle a lot. You're right. I mean, there does seem to be a lot of choices right now, which you know, may not necessarily be the best thing. If you are looking at comparing or three things, there are a half dozen out there right now which is a lot. And if you add the different ways to do kind of market conventions and market calculations, you will start to have multipliers on some of these rates so there are many different ways in which you can go ahead and incorporate these within contracts. So, it is a challenge. I'm not sure because I don't have a crystal ball but if I did, I’d be doing something different. But, yeah, it's, it's trying to understand what's out there, you know, do what you can. And I do

think if you look at somebody's issuance and, especially on the derivative side, kind of look at the market and kind of hedging the cash piece. The market is slowly moving away from LIBOR but is still very much based on LIBOR. If you look at the buffet table, everyone's still kind of going towards LIBOR knowing that the buffet table knowing that LIBOR is going to. I do think folks are still kind of moving towards LIBOR, but that said, you know, it's not going to be an option. It's not going to be there forever, and that part is a reality. And maybe, we keep that buffet analogy moving forward. You know, sample a little bit here a little bit there, what does make sense? what deals what rates are most palatable to you as a company? Also, to your point earlier, Chad, what is palatable to your bank. There are different specifications within banks, different rates that they're looking to move towards too even though if their past manner thoroughly aligned with the company's past.

Jennifer Herdin: You know, I would say even though that there are several different credit-sensitive alternatives to SOFER out there, the ARC hasn't said no to them, but they also haven't endorsed them. So, is there, you know, the systemic fear that ARC may say that SOFER is the only way and come down on it and sort of force SOFER? And could that be a deterrent to sort of looking at some of these other credit rates?

Chad Wekelo: Yeah, no, I think it's a good point. With uncertainty, people tend to, especially in the corporate world, take the more defined route. It's out there. So, I know, if that was me, I think I'd have a hard time going down one of these other paths, given what's been coming out in the marketplace. But again, it hasn't been defined. Chris, I liked your point of view there, right, you may need to not make any type of bigger decisions if you can, but you know we're also in a rate environment, so it is advantageous to be making some decisions now, potentially.

Chris Ekonomidis: I agree, a lot of rates are down near zero. So, I'm not sure any decision right now is going to have a material impact. So yeah, if you can, if you have the opportunity to nibble here and there, I think that's great. But also get the chance to test out the pipes for what happens, you know, within loan systems, cash forecasting, accounting, hedging, etc.

Chad Wekelo: So, I wanted to circle back, Jennifer, to you on one topic that we talked about a little bit. I know, we addressed it a tad bit, but I wanted to dive deeper if we can into your credit facilities. It seems like it's sort of going to be one of the more challenging items to approach. And when you have so many different participants, you know, if you have a syndicated type of facility, which most people are, the larger facilities are. I know, you've had some conversations with that. So, I guess I'm just curious if you've had any, any advice, any guidance, or maybe even just any experience that you could share with the audience, hearing how you've gone through that, how you've approached the conversation, some of the challenges that you've experienced.

Jennifer Herdin: So far, in my role in PvE, we have not had to renegotiate our credit facility just yet. When we did it last, it had already had the amendment approach in there so, we're kind of okay for now. But through the working group, and just hearing stories of my colleagues, I don't think anybody successfully has so far with a convention and their rotten revolving credit facility just yet. And again, the main thing is just the consensus amongst the whole group of banks on what the benchmark is, and how it's going to be calculated.

Chad Wekelo: And so, if you are in a position where you need to, or you think it's advantageous to sort of renegotiate your credit facility or extend it, that's, that's a tough position to be in. Who's going first?

Jennifer Herdin: That's it. I think that's what everybody's waiting for who's going to come out first, and if it's good, and it works, the rest will follow. But who will be the first one to come out and do this?

Chad Wekelo: Hopefully, somebody soon, because we're running out of time, and it's going to be a mess if we don't get going here.

Chris Ekonomidis: Don't worry about everyone crowding on the way to the exit. That's a concern.

Chad Wekelo: On that note, I mean, the Well, I think that the regulators have tried to do something. Right. So, I know, there's been legislation that's come out from the New York State perspective, and there are some conversations on the federal side. So, you know, I guess the potentially, what about the do-nothing approach? Right? I know, we have one client who is always like, what's our do-nothing approach here? What's that alternative in this example? And so, you know, I guess as we sort of think about it, there could be a do-nothing approach for certain segments of your business because of some of this information. So, for instance, you know, with the ISDA agreements. They've come out, and they sort of laid out some pretty solid language that you can adopt without too much effort, you know, in the regulators or something to do the same thing. What about our clients? Does nothing approach here? I mean, what is your guy's view on that?

Jennifer Herdin: It is kind of funny, I feel like I'm doing nothing, even though I'm living and breathing that every day, but there's nothing tangible I'm doing. So, it depends on what do you mean by doing nothing?

Chad Wekelo: Well, you've done something and now you're doing nothing though. You've already done the analysis and now you're waiting.

Jennifer Herdin: I think now I'm waiting, and you know, that's, it's hard. It's a hard place to be because I do feel like we're doing nothing, and something needs to get done. I just don't know when or how yet. So, I'm assuming, you know, depending on how much of a risk and an impact it has on your organization, at a bare minimum, everybody should be taking inventory. Does it affect the picture meant? Does it affect discounting? Does it affect your supply chain? Does it affect intercompany loans? At least understand what the inherent risks are, be educated, and then sit back and wait for clarity.

Chris Ekonomidis: I would agree, you know, take a look at what's been in there because this has been coming for a few years. So, you know, if your agreements, contracts, or investments have been done in the past few years, there should be something in there to address the cessation of LIBOR. If they're older, that's kind of where the New York state legislation may take us back for the federal legislation for what happens from a US perspective. And, you know, that's only going to take effect where the fallbacks kind of point to calling a bunch of banks or a previous libel rate, etc. That is the part that may not be good for the do-nothing approach which falls back to prime with some spread? If you know what you have, doing nothing may be an appropriate response, but at a bare minimum, know what you have.

Chad Wekelo: So, take inventory of where you are, make sure you have clarity on the situation, educate yourself on what's happening, and then then you could potentially take a break at that point in time. Is that fair to say?

Chris Ekonomidis: You could take a break; you can move things if you're not happy with what you found. Because I don't think it's been priced in the market yet, LIBOR-based assets will in US dollar stick around

for another two years, maybe a little more. So, that rate will at least be published. So, you have some certainty there. And, you know, I'm not on the trading side but you know, you can go ahead and kind of look to swap something you may not be comfortable with something that you are more comfortable with and may have more robust fallback language for.

Chad Wekelo: Well, thanks for humoring me with my do-nothing analogy there. But what about the do something analysis? Like, you know, are there things that you can do to actually put your company in a better position? Since there will be, I know that we've been talking a little bit more about the operational component, but there will be an economic component to this as well. Right. So, I mean, there are going to be different rates in the marketplace. There are the calculations, do you know, I wouldn’t say they're material, but there are some differences out there? I mean, do you know? Have you seen it? I mean, I can see this is a question for both of you but what is your view on something where people are sort of taking an approach because they think there's an economic benefit to one approach or the other? Or is it just still so uncertain that it really be too speculative to try to take that approach to this time?

Jennifer Herdin: That depends on what you're talking about. I think we have seen some swaps on the market, right? So, from a derivative point of view, like Chris just mentioned, if you want to start to swap out that risk, that's something that you can do, and we are seeing.

Chad Wekelo: What about from a convention respect. So, let's just take an example of how you can still technically issue LIBOR or, you know, now, and or you could switch over to SOFER, and, you know, there's a different pricing, obviously, components to each of that, in theory, if it's an efficient market, there wouldn't be that. But you know, when we some of the analysis we've done, we are seeing some, some differences in those in the funding in that cost you even just for legacy-based products, if you do have any that are on some of the currencies that Chris previously mentioned, they're going to flip over, and then you're going to, if you have fallback language, you're going to go to that and there's going to be certain calculations. So, I guess I'm just sitting there thinking about, “okay, with that analysis, do I want to actually take action now and maybe switch to potentially looking to refinance or reference rates? Or is there going to be a different economic impact to me, if I just let the pullback language take place and I'm going to be paying a specific spread component on that now”?

Chris Ekonomidis: I think you can take a look at kind of historical rates and how that would affect what you currently have, and then extrapolate that forward and look at you know, different scenarios for how that would play out. There are definitely firms, you know, taking a look at that and what are the impacts if this if my line switches from, you know, LIBOR to SOFER? What does that mean? What does it mean indifferent, you know, environments? How can I go ahead and model that? It's definitely an approach that could be taken. And to maybe the point you brought up earlier, Chad, it might be tough to go ahead and find differences right now just given where rates are across the board. But if you start playing with numbers and start looking at meaningful kinds of variations or divergences in the future, you could go ahead and try to model something and find something in your assumptions that, may steer you one way versus another.

Chad Wekelo: Jennifer, I'm curious. So, we talked a little bit about credit facilities, and we've talked a little about intercompany loans. I mean, is there anything else that you've seen, or that's come up in the conversation with the corporates, that's really sort of been a, “oh, we didn't really realize or think about that we'd have risk in this area”. But has come up as an area? Or just something that people think about

that may not be on their radar, but maybe they should look out for, like I said, discounting, you know, a lot of these rates, it's been LIBOR plus a spread, and it's probably legacy, right? You have been in the system for years, and nobody's looked at it or changed it. And it's often hard to sort of get an inventory of where every contract that LIBOR's referenced in. So, you may just have to go to different departments and ask and have them dig a little to see if they're using that anywhere.

Chad Wekelo: And, Chris, I know, you've talked to a lot of clients, anything that sort of been brought up in conversation that it was surprising to you.

Chris Ekonomidis: I'm not sure about surprising, there have been I think, you know, a lot of the questions you brought up have also been brought up by clients, it's, you know, what is the transition? What does it mean, for me, going forward? How does that affect, the relationship between the company and the bank? My discussions may be a little biased but the discussions that I've been part of with clients have been with clients that are engaged in our thinking about this. I was looking at a recent survey that said, from a non-financial perspective, 40-ish percent of clients were monitoring the situation, the labor transition situation. And that, to me, is a little bit scary because monitoring is necessary, and there needs to be a bit more of it and a lot of the stuff we've talked about so far on this call. You know, I think it's prudent that, all companies at least start taking a look at how this affects them. And to your point, Chad, some people want a crystal ball and want to know which way it's going to win, or which convention is going to win. But I don't really have any more insight than anyone else in that space.

Chad Wekelo: I guess maybe that is one thing to talk about, or at least say, specific to where we've been spending most of the time talking about the US but there has been a little bit more definitive approach in some of the other regions. So, you know, as you think about multinational corporations, you maybe have a little bit more success or a little bit more definitive approach you can take and maybe even focusing on, if you have exposure in some of these other currencies, that may be something where you could actually take a little bit more of the defensive approach and make a movement because there is more definition in some of those markets.

Jennifer Herdin: To the national rate, if you're doing it from corporate in the US, and you can borrow in some of these currencies that were formerly LIBOR based. So, you still kind of get back to square one of getting consensus in your credit facility on the benchmark, to just carve out and say, Okay, now we know how SOFER is going to go forward to just carve out that one currency. I don't know how helpful that is.

Chad Wekelo: Sure, if you have a multi-currency facility, that most definitely is not going to help you too much. But if you have the individual term loans, or if you have even some of these other or bilateral loans you mentioned, it should. You're right though, it's a subset of the bigger picture so, probably not going to move the needle too much. I think we've covered a lot of ground here. At the risk of continuing to take more of your time and go on forever, I think it's probably a good stopping point here. But I really want to thank you guys, both for all your insight. It's been really valuable. interesting for me, hopefully, the audience I'm sure will feel the same way. I think there's a lot more to come because this is a very fluid sort of market and things are developing. So, I may reach back out to you guys to see if we could do this again since it literally seems like there's pretty substantial news coming out on almost a weekly basis at this point. Hopefully, we'll start to see somebody put their toe edit and make some noise so we can piggyback on top of them.

Jennifer Herdin: Absolutely. Thank you for having me. And I would say even if you're doing nothing, at least read the update from the banks.

Chris Ekonomidis: I completely agree Jennifer and thanks for having us.

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