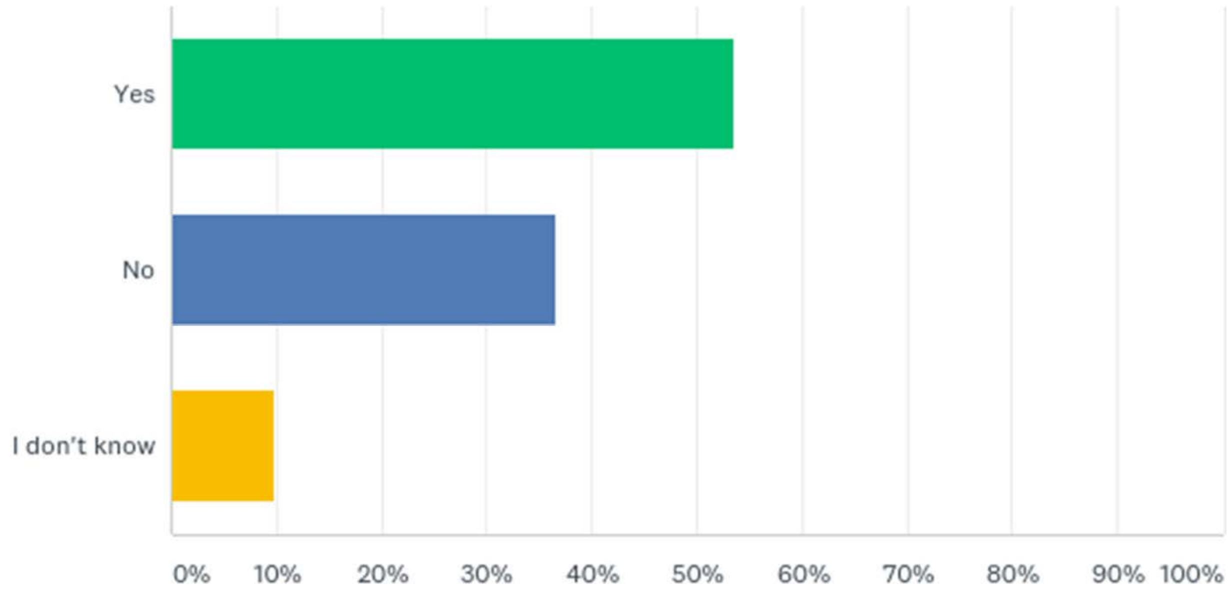
The Credit Roundtable

LIBOR to SOFR Transition Survey Results

The Credit Roundtable produced a survey regarding the transition of market participants from the London Inter-bank Offered Rate (LIBOR) to the Secured Overnight Financing Rate (SOFR). The purpose of this survey was to collect information on different conventions for using SOFR as an alternative reference rate in order to help to identify a recommended compounding structure for SOFR floating rate notes (FRNs).

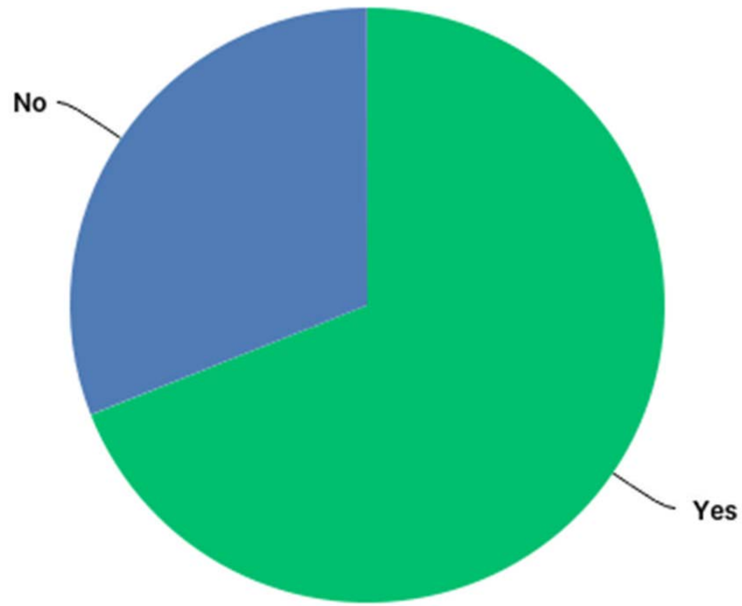
- Conducted: January 29, 2020 – February 25, 2020
- Total Responses: 71

Has your institution purchased a security with a SOFR reference rate?



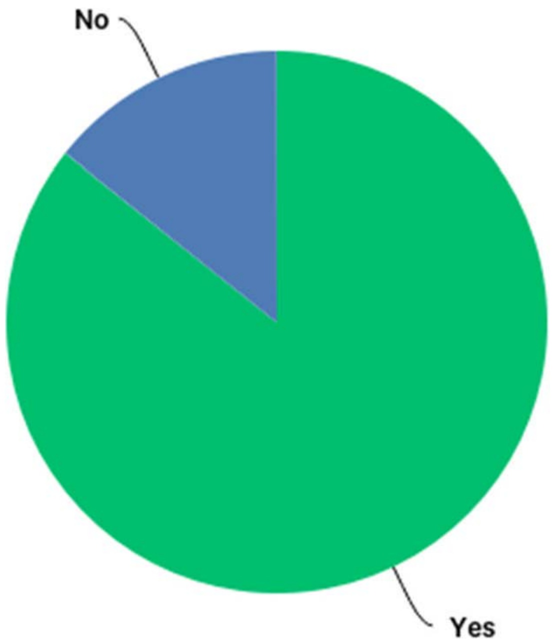
ANSWER CHOICES	RESPONSES
Yes	53.52%
No	36.62%
I don't know	9.86%

Are you planning to purchase compounded SOFR FRNs (credit) in the next few years?



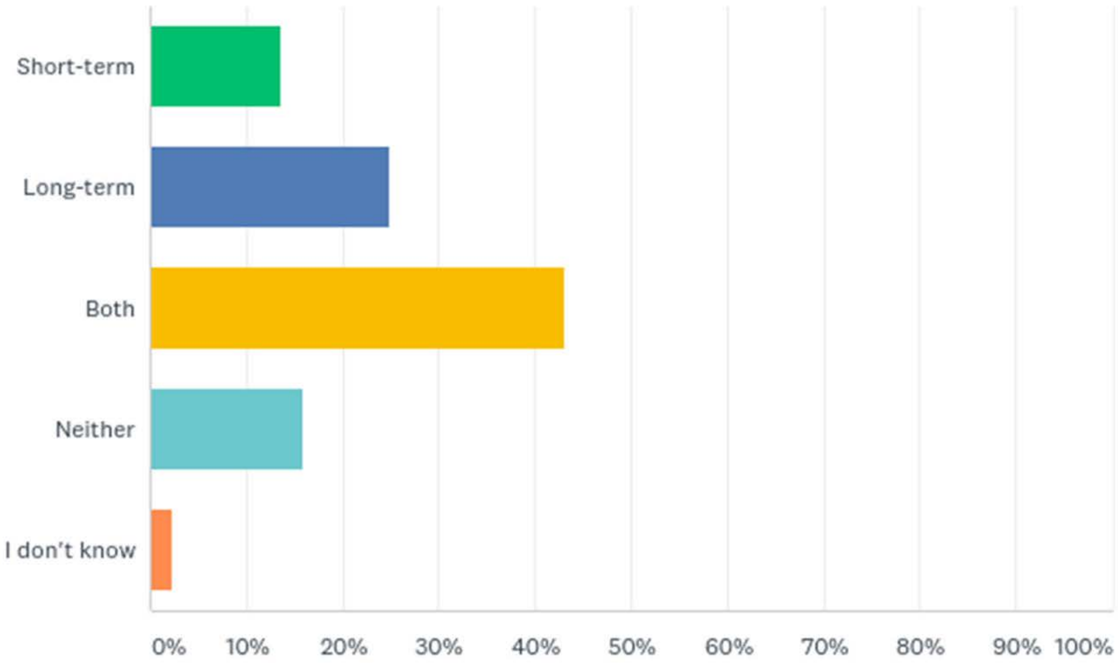
ANSWER CHOICES	RESPONSES
Yes	69.01%
No	30.99%

Would you purchase compounded SOFR securities issued by the U.S. Treasury if available in the next few years?



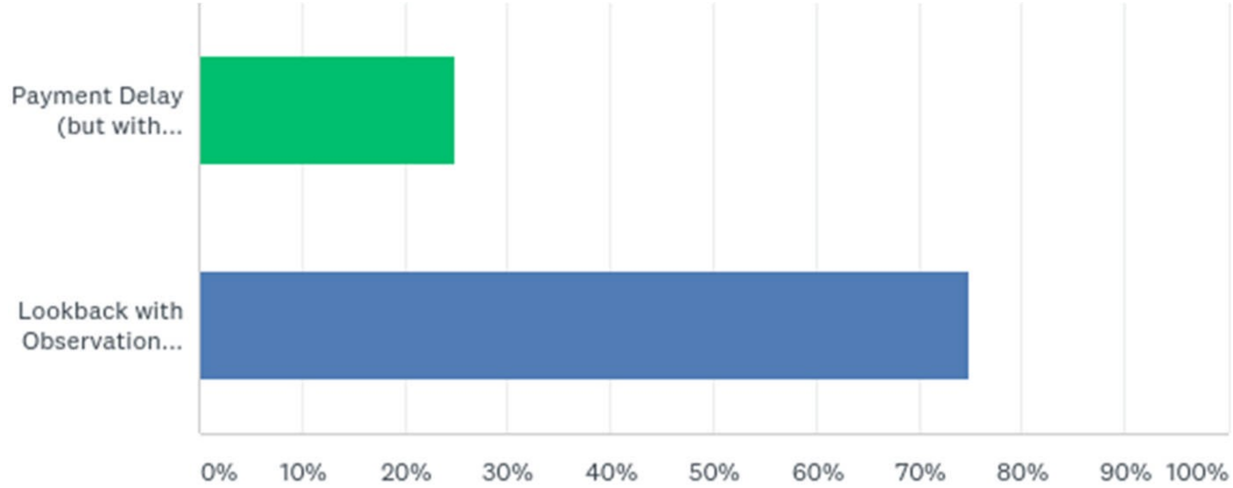
ANSWER CHOICES	RESPONSES
Yes	85.71%
No	14.29%

Are you generally a short-term buyer of FRNs or a long-term buyer (> 2 years)?



ANSWER CHOICES	RESPONSES
Short-term	13.64%
Long-term	25.00%
Both	43.18%
Neither	15.91%
I don't know	2.27%

What is your preferred structure for Compounded SOFR FRNs?



ANSWER CHOICES	RESPONS
Payment Delay (but with lockout for final payment): With this structure, payment is due a number of business days after each interest period concludes; A lockout is applicable only for the final interest period before maturity to allow for interest to be paid on the maturity date.	25.00%
Lookback with Observation Period Shift: With this structure, the period over which SOFR is observed starts and ends a number of business days before the interest period; This backward-shift allows the rates to be appropriately weighted to match the repo market.	75.00%

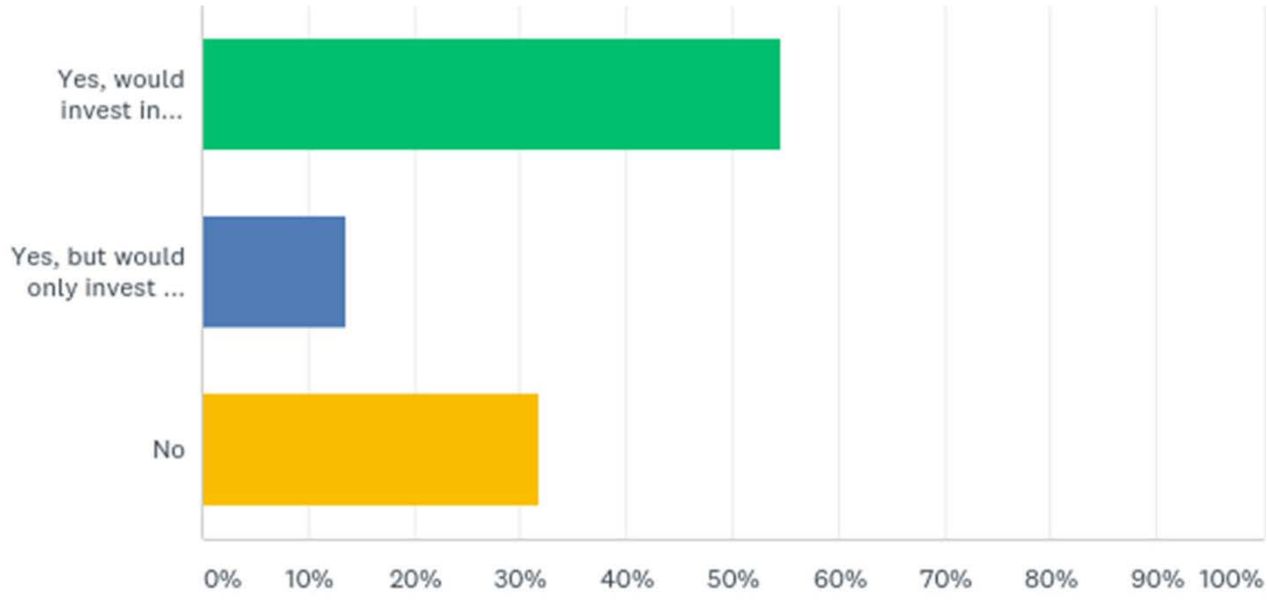
Rank in order of importance the factors that influenced your choice above (“1” being the most critical factor):

	1	2	3	4	5	6	7
Secondary market liquidty and trading	34.09%	6.82%	18.18%	22.73%	4.55%	11.36%	2.27%
Timing of receipt payments (e.g. delayed payments are an impediment)	27.27%	15.91%	11.36%	27.27%	11.36%	4.55%	2.27%
Operational efficiency (e.g. fewer system enhancements necessary)	11.36%	18.18%	25.00%	15.91%	25.00%	4.55%	0.00%
East of calculation (e.g. systems are capable of calculating accrued amounts before settlements are due)	13.64%	31.82%	18.18%	13.64%	9.09%	13.64%	0.00%
Hedge effectiveness	11.36%	15.91%	18.18%	4.55%	29.55%	15.91%	4.55%
Accounting issues	0.00%	6.82%	9.09%	15.91%	18.18%	38.64%	11.36%
Other significant factors	2.27%	4.55%	0.00%	0.00%	2.27%	11.36%	79.55%

If "Other Significant Factors" are an important factor for you in the question above, please write-in those factors here:

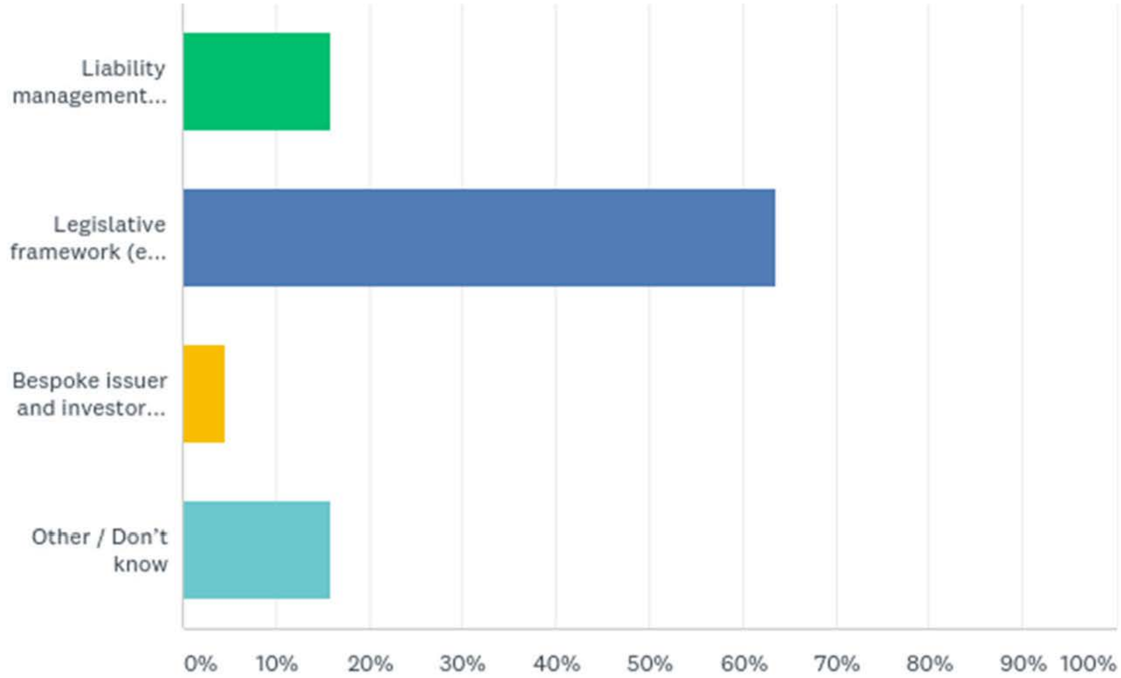
- Not skipping rate settings via lockout Alignment with Derivatives – ISDA Fallback
- Matching standard swap market conventions, supporting consistency between the cash and derivatives markets
- As far as we are aware of, our response published in December 2018 to ARRC's consultation on fallbacks for FRN was the first publicly available document describing detailed definitions of Lookback with Observation Period Shift. We are confident that Lookback with Observation Period Shift will better reflect the economic reality the SOFR represents than Payment Delay with Lockout in the final period. Lookback with Observation Period Shift will be useful for secondary trading of FRNs because accrued interests can be correctly calculated a few days prior to settlements (in contrast, in Payment Delay, some minor approximations will be needed to calculate accrued interests prior to relevant settlement days).
- Don't have a strong opinion, but would want a market consensus to form for operational ease and consistency.
- Matching other market conventions, such as SONIA GBP FRNs
- Perceived standard market practice

Would you invest in compounded FRNs if there was no standard structure?



ANSWER CHOICES	RESPONS
Yes, would invest in Payment Delay and Lookback with Observation Period Shift structures	54.55%
Yes, but would only invest in one or the other (eg. either Payment Delay or Lookback with Observation Shift but not both)	13.64%
No	31.82%

What is the most efficient way to manage long dated LIBOR exposures?



ANSWER CHOICES	RESPONSES
Liability management exercises	15.91%
Legislative framework (e.g. NY and DE)	63.64%
Bespoke issuer and investor negotiations	4.55%
Other / Don't know	15.91%