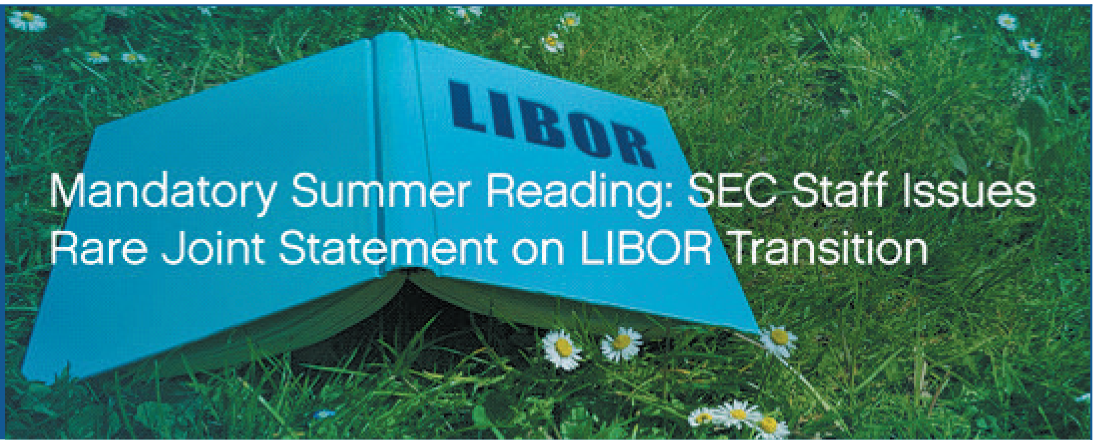
JONES DAY

COMMENTARY

JULY 2019



Mandatory Summer Reading: SEC Staff Issues Rare Joint Statement on LIBOR Transition

IN SHORT

The Situation: The Staffs of the Divisions of Corporation Finance, Investment Management and Trading and Markets ("Divisions") of the U.S. Securities and Exchange Commission ("SEC") and its Office of the Chief Accountant ("OCA") have issued a rare joint statement ("Statement") that corporate issuers, funds, and advisers should consider to be both guidance and a warning regarding the SEC's expectations related to the anticipated cessation of LIBOR after December 31, 2021.

The Result: The Statement provides critical guidance to assist public companies and other registered entities, such as broker-dealers, investment advisers, and investment companies, as they continue to evaluate and proactively address the impact of LIBOR's expected cessation on their portfolios of LIBOR exposures, disclosure obligations, accounting, and back-office technology systems.

Looking Ahead: The financial markets are facing many complex uncertainties as a result of the expected cessation of LIBOR that will need to be addressed during the coming months. Those who work proactively to understand their exposure now will be well-positioned to avoid regulatory scrutiny. And those who take the most thoughtful and sophisticated approaches will likely be able to use this potential market disruption to gain a competitive advantage or obtain favorable economic outcomes for their shareholders and investors.

Three SEC Divisions and its Office of the Chief Accountant have collaborated in the issuance of a rare joint "Staff Statement on LIBOR Transition" that should be mandatory summer reading for public companies and other SEC registrants, such as investment advisers and broker-dealers. The statement details specific considerations and action items such entities should be analyzing and pursuing to assess, remediate, quantify, and, where appropriate, disclose risks from LIBOR cessation. It marks a significant "broadening of the net" to capture the attention of market participants that have received less attention from the regulators and working groups focusing on the expected cessation of LIBOR.

WANT TO KNOW MORE?
Read the full version.

FOUR KEY TAKEAWAYS

1. The Statement provides a "wake-up call" from the SEC on LIBOR cessation that should be a mandatory read for boards and for those in executive, legal, compliance, risk, accounting, and disclosure functions at public companies and other SEC-registered entities.

2. With the assistance of outside counsel and appropriate internal personnel, public companies and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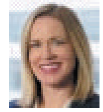
other SEC-registered entities should be proactively conducting thorough risk impact assessments to determine their financial, commercial, and operational/IT exposure to LIBOR.

3. These companies and entities should also be developing remediation plans for LIBOR cessation and preparing, where possible and warranted, to quantify and disclose their LIBOR exposures and the status of any remediation plans in registration statements, prospectuses, and periodic filings and reports under the federal securities laws.

4. Market intermediaries such as investment advisers and broker-dealers should exercise caution in recommending LIBOR-related investments to clients and counterparties and should advise them of the risks of such products and the availability of alternatives. They should also expect the matter of LIBOR to become a frequent topic in regulatory examinations in the near future.



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All Contacts >>>

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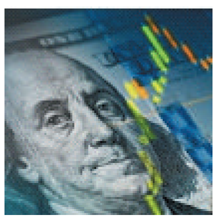
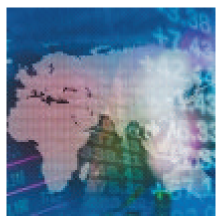
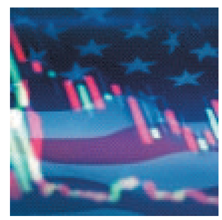
Bank of England Publishes Discussion Paper on Risk Management Systems for Collateral Referencing LIBOR



ARRC Publishes Final LIBOR Transition Recommendations for Securitizations and Bilateral Business Loans



ISDA Forges Ahead with Market Consultations on Critical IBOR Transition Issues



Compare and Contrast: SFIG's and ARRC's Differing Approaches to Benchmark Transition in Securitizations

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