

ARRC Supplemental Consultation on Spread Adjustment Methodology

Supplemental Consultation Response

Thank you for the opportunity to comment on the ARRC Follow-Up Consultation on Technical Details following the ARRC Spread Adjustment Consultation.

The LMA is the trade body for the EMEA syndicated loan market and was founded in December 1996 by banks operating in that market. Its aim is to encourage liquidity in both the primary and secondary loan markets by promoting efficiency and transparency, as well as by developing standards of documentation and codes of market practice, which are widely used and adopted. Membership of the LMA currency stands at over 750 organisations across over 65 jurisdictions and consists of banks, non-bank investors, law firms, rating agencies and service providers. The LMA is recognised across the market and has expanded its activities to include all aspects of the primary and secondary syndicated loan markets. Its overall mission is to act as the authoritative voice of the EMEA loan market vis à vis lenders, borrowers, regulators and other interested parties.

Our comments are specifically in the context of the loan market and, in particular, we would like to raise a general point which applies to both questions asked in the Follow-Up Consultation. We believe there is strong merit in seeking consistency of methodology and application of spread adjustments across products and across currencies, wherever feasible. In particular, in respect of Question 1, it should be noted that in the sterling market, the equivalent consultation provided for the same spread adjustment value for a given GBP LIBOR tenor to be used across forward-looking term SONIA and the compound average of SONIA in arrears. A divergence in approach in respect of the application of the credit spread adjustment methodologies across currencies and products is of particular significance in the context of multicurrency and hedged loans.

We look forward to the outcome of the Follow-Up Consultation.

12 June 2020