

Transitioning legacy LIBOR syndicated loan facilities to compounded risk-free reference rates – practical guidance for the documentary amendment process

1. Important notice

This note is intended as an overview and is not intended to be comprehensive. Whilst every care has been taken in its preparation no representation or warranty is given by the LMA or Clifford Chance LLP as to the accuracy or completeness of the contents of this note. Most importantly, this note is not designed to provide legal or other advice on any matter whatsoever.

2. Introduction

- (a) As the end of 2021 draws closer and the syndicated loan market approaches various milestones for the transitioning of legacy loan facilities away from the use of LIBOR, it is clear there will be pressure on resources (including legal resource) and on market participant processes given the volume of potential transition activity that is currently taking place and will need to take place to ensure that those milestones are met.
- (b) These capacity constraints place increased emphasis on ensuring efficient and effective amendment processes for legacy LIBOR syndicated loan facilities 'on the ground' for all market participants as the pressure on resources is likely to increase over the next few months. This is likely to drive a strong imperative to progress transition away from the use of LIBOR in syndicated loan facilities sooner rather than later.
- (c) The purpose of this note is to highlight areas of practical guidance for market participants when approaching amendments to legacy LIBOR syndicated loan facilities in order to improve efficiency of the process.
- (d) Specifically, in relation to amendments to legacy LIBOR syndicated loan facilities to provide for the transition to the use of compounded risk-free reference rates ("**RFRs**"), the importance of clearly identifying those elements of the amendment documentation related to such transition (and explicitly highlighting any deviation from LMA RFR Facility Documentation (as defined below)) has been identified as a critical factor to improve efficiency.
- (e) The LMA has published a suite of recommended form facility documentation referencing compounded RFRs which currently includes investment grade documentation and certain developing markets and real estate finance documentation (the "**LMA RFR Facility Documentation**"). The LMA RFR Facility Documentation provides a documentary reflection of the recommendations for SONIA Loan Market Conventions issued by the Working Group on Sterling Risk-Free Reference Rates (the

"**£RFR Working Group Conventions**"). This note assumes that the parties to any legacy LIBOR syndicated loan facility which will transition to the use of RFRs have determined that the relevant LMA RFR Facility Documentation and the £RFR Working Group Conventions are an appropriate starting point for the amended documentation.

3. Practical guidance

(a) Based on market feedback, a number of practical factors have been identified to help minimise inefficiencies and unnecessary complication thereby ensuring as efficient an amendment process as possible. These factors are based on the experience of market participants and their suggestions of ways to streamline the RFR transition amendment process in relation to the inclusion of the mechanical provisions for loans referencing RFRs (and reflecting the £RFR Working Group Conventions) into legacy LIBOR facility documentation.

- **Term sheets**: Use of a term sheet at the outset to identify and agree headline commercial points with syndicate members. The LMA has published term sheets for transactions referencing RFRs (which are available under the "LIBOR Transition" tab of the [Documents Index](#) on its [website](#)) to assist with this process.
- **Mark-up of RFR provisions**: RFR-related provisions should be specifically highlighted in amendment documentation with clear identification of any deviations from corresponding provisions in the relevant LMA RFR Facility Documentation. This should be done by way of providing a mark-up of the RFR provisions in the amendment documentation against the corresponding provisions in the relevant LMA RFR Facility Documentation.
- **Format of documentation and mark-ups**: Law firms should provide amendment documentation and mark-ups to the relevant LMA RFR Facility Documentation (or provisions thereof) in Word format (as well as PDF format). Providing documentation in Word format assists with the review of, and the process of commenting on, documentation.
- **Minimising deviation from LMA RFR Facility Documentation**: Whilst appreciating that certain RFR related terms will require commercial agreement, market participants have stated a general preference for minimising deviation from the RFR provisions set out in the relevant LMA RFR Facility Documentation to reduce the time needed for review/negotiation.
- **Explanation of deviations**: Market participants who choose to deviate from the RFR provisions set out in the relevant LMA RFR Facility Documentation should explain clearly why they need any such deviation (for example, because of operational constraints).

- **Reviewing guide**: Provision by law firms or arrangers/facility agents of a reviewing guide to flag key changes to documentation and to highlight areas for review (including the rationale for any deviations from the RFR provisions set out in the relevant LMA RFR Facility Documentation) would be helpful for other transaction participants.
- (b) This note is not expected to be comprehensive of the practical factors that could help minimise inefficiencies during the amendment process. Should market participants identify further practical factors that could be added to this note, the LMA is happy to take feedback.