

What's This Email My Bank Sent Me About "Adherence"?

If you have an existing LIBOR cap or swap, you may have started receiving emails about Adherence to the 2020 IBOR Fallback Protocol. These emails often include the backdrop and a guide on how to adhere.

Why Are They Sending This to Me Now?

You signed an ISDA or long form confirmation when you entered into the hedge. The 2006 ISDA Definitions governing hedges executed before 1/25/2021 currently do not include fallback language sufficient for the discontinuation of LIBOR.

Banks need to transition all of those contracts over to SOFR at some point. In the meantime, they are trying to front run potential issues by modifying existing contracts to ensure an orderly transition.

Adhering to the Protocol modifies legacy contracts by incorporating the new robust fallback language, which among other things, outlines SOFR as the fallback index upon LIBOR's discontinuation.

Do I Need to Do Anything?

You don't *have* to do anything right now. Banks are just being urged by regulators to get in front of this.

So Why Would I?

You'll need to at some point.

What Happens if I Don't Do Anything?

Right now, nothing. You'll keep getting emails from the bank until you do.

What's the Deadline?

Regulators have indicated 1 and 3 month LIBOR will be discontinued on or before June 30, 2023.

In other words, if you don't adhere now, you'll be getting emails from your hedge provider until mid-2023.

How Do I Decide if I Adhere Now?

Prior to adhering, we suggest borrowers review the fallback language in their loan documents, confirm with their lender regarding what will happen on the loan side, or both.

This is to ensure the loan and hedge don't fall back to different indices, leading to basis mismatch or requirements to enter a replacement hedge.

OK, I Want to Adhere. What Do I Do?

Adherence to the Protocol is simple and can be done via the ISDA website, or by executing a bilateral form. We've included links to the ISDA website and instructions on how to adhere below.

[Click here to access the 2020 IBOR Fallbacks Protocol](#)

[Click here for instructions on how to adhere](#)

Other Resources

If you need assistance or have any questions as you take the necessary steps to adhere, please don't hesitate to reach out.

For more backdrop, read our SOFR Transition FAQs resource [here](#).

For the latest update on Agency SOFR caps click [here](#).

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