

LIBOR TRANSITION SUPPORT SERVICES

In July 2017, the UK-based Financial Conduct Authority (FCA), which regulates LIBOR, announced that by the end of 2021, "it will no longer be necessary for the FCA to persuade or compel banks to submit LIBOR." Since then, global regulators and banks have been eager to find replacements for LIBOR that can serve as a suitable benchmark rate across all major currencies. The switch to alternative rates is accelerating; however, there are many unknowns, which makes planning for the conversion both difficult and extremely important.

The Office of the Comptroller of the Currency (OCC) highlighted risks to the banking system in the Semiannual Risk Perspective, issued on December 9, 2019. LIBOR is included as one of the top five risks, and the OCC states:

Many market and banking participants use LIBOR as a benchmark for pricing financial instruments. The OCC is increasing regulatory oversight of this area to evaluate bank awareness and preparedness for LIBOR's anticipated cessation. Examiners will evaluate whether banks have begun to assess their exposure to LIBOR in assets and liabilities to determine potential impacts and develop risk management strategies.

BRG professionals have been involved in LIBOR replacement efforts since the beginning of the transition conversation.* We assist financial institutions and industry groups to drive solutions in both planning and execution related to this highly complex conversion to new benchmark rates.

BRG support services include:

- ✓ Assist with standing up or maintaining ongoing program governance
- ✓ Support formal transition planning
- ✓ Start initial and/or support ongoing program and project management
- ✓ Construct an initial (maintain ongoing) exposure analysis
- ✓ Gather and investigate fallback language from legacy contracts
- ✓ Investigate current uses of LIBOR within models
- ✓ Remodel positions with alternative rates
- ✓ Provide independent model validations
- ✓ Assist in developing customer communication/reach-out
- ✓ Provide accounting policy assistance for existing LIBOR hedging relationships
- ✓ Provide insights on industry and ARRC developments
- ✓ Analyze process changes for alternative rates.
- ✓ Assist in implementing new process changes
- ✓ Execute scenario analysis related to other alternative rates
- ✓ Evaluate systems impacts/limitation with respect to alternative rate transition
- ✓ Develop business requirements for potential system changes (i.e., compounding)
- ✓ Project manage systems changes
- ✓ Conduct user acceptance testing
- ✓ Provide training and broader education
- ✓ Assist in identifying software and artificial intelligence tools to support transition activities
- ✓ Provide necessary subject-matter experts (SMEs) to augment company's current efforts
- ✓ Assist in addressing/responding to regulatory inquiries

BRG professionals offer off-the-shelf methodologies and other support tools to help accelerate progress.

BRG Is Ideally Placed to Assist Your Institution

BRG Expertise in LIBOR Transition – BRG professionals have been engaged with the LIBOR transition since it was first announced. Our experts have been participants on various industry working groups and have assisted entities in moving forward with transition activities. We will help ensure that your organization is made aware of all breaking industry developments.

Local Presence / Global Firm – BRG is a global firm with over forty offices across six continents. It has a major presence in many major US cities, with hundreds of CPAs, CFAs, technologists, business analysts, former bankers, consumer finance professionals, and program/project managers. These individuals can be called upon as needed to assist across all elements of your institution's transition efforts.

BRG Experts Know Your Institution – BRG works with clients of all sizes, from the largest global banks to small community lenders. We will ensure that our solutions are appropriately tailored to your specific needs. What works at one institution does not necessarily work at others. We listen and work within the confines of your institution, culture, and risk appetite.

Rigorous Focus on Execution – At BRG, we are intelligence that works. We pride ourselves on our ability to achieve results, even in a case like LIBOR where there is so much unknown. Throughout their careers, professionals at BRG have stood-up de novo processes in short order to address critical new business activities.

Robust Project Management – Our approach to execution is coupled with a highly transparent project management model that gives key stakeholders a clear line of sight into current status, key roadblocks, interdependencies, and critical next steps. Our touchstone is to avoid surprises and drive forward progress. Project management activities are a critical component of any engagement and receive a high level of focus by our professionals to ensure the desired changes are implemented. Our approach is a major BRG differentiator and has a proven track record of success.

Flexible Approach – BRG offers a highly flexible approach:

- First, we are flexible in how we are deployed. We routinely take full responsibility for running discrete projects with a specific deliverable, system solutions, or process changes. Alternatively, we can work to augment your internal team with either SMEs or particular functional skills to address a resource gap or short-term need.
- Second, we are flexible in our solutions. So much related to the LIBOR transition is not known; therefore, the current approach must be designed in a way that can facilitate future changes. Our decades of deep expertise assisting financial institutions in navigating major change initiatives will be invaluable in helping devise approaches that can easily be repositioned should circumstances change.

BRG's high-level diagnostic can provide a quick but thorough checkpoint for boards and senior management as to the robustness of your transition efforts.

About BRG

Berkeley Research Group (BRG) is a global consulting firm that helps leading organizations advance in three key areas: disputes and investigations, corporate finance, and strategy and operations. Headquartered in California with offices around the world, we are an integrated group of experts, industry leaders, academics, data scientists, and professionals working beyond borders and disciplines. We harness our collective expertise to deliver the inspired insights and practical strategies our clients need to stay ahead of what's next.

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