

NewsRelease

For Immediate Release:

Sia Partners-Cadwalader Global LIBOR Transition Study Finds Year-End Progress but Major Investments Required Going Forward

Benchmarking study of over 75 organizations identifies substantial operational, legal, organizational and risk issues that remain to be addressed.

New York, December 9, 2019 — Major global financial institutions are setting the pace for significant infrastructure and resource investments, thereby establishing the beginning of best practices for the LIBOR transition, according to a new benchmarking study by consultants Sia Partners and law firm Cadwalader, Wickersham & Taft LLP.

The study of more than 75 market participants – including U.S. and foreign GSIBs, foreign banks with a sizeable U.S. presence, regional and super-regional banks, insurance companies, corporate and financial end-users, third parties and trade associations – found that the largest, best-resourced organizations were farthest ahead in their LIBOR transition efforts, with mid-size and smaller firms initiating over the past year their transitions across the areas that require immediate attention. The study comprised in-depth interviews with each entity, including the heads of their respective LIBOR transition teams and members of their legal, operational and risk teams. The interviews were completed in November and included follow-up discussions with targeted firms.

Bradley Ziff, an Operating Partner at Sia Partners who directed the project for the two firms, noted, “Our study results emphasize that the IBOR transitions worldwide are among the largest organizational challenges that institutions and the financial system have faced over the past two decades. A successful transition for banks and end-users alike is going to be a reflection of management’s commitment to a clear game plan and the will to implement it in a timely manner.”

“The transition from LIBOR is inevitable, but organizations are moving at their own pace,” added Lary Stromfeld, a Cadwalader financial services partner and head of the firm’s LIBOR Preparedness Team. “The study’s findings clearly demonstrate that the leading organizations have made this transition an organizational imperative and are devoting resources – dollars and staff – to ensuring that alternative reference rates are instituted and in effect when LIBOR goes away at the end of 2021.”

The Sia Partners-Cadwalader study provides substantive and comprehensive insights into particular topics of LIBOR readiness, as well as the challenges that market participants face for an orderly transition. Institutions noted that among the essential steps for a successful transition, firms will need:

- The full engagement of senior business units and infrastructure teams to build out a successful effort over the next several years;
- Completion of a thorough review of all documentation and consideration of the proper role of automation tools to expedite that process;
- An ability to link the inventory of LIBOR exposures, documentation and risk measurement capabilities to ensure proper management of those risks;
- Detailed examination of appropriate fallback language in an organization’s derivative, lending and other agreements and necessary alignment with consistency across products;
- The engagement of counterparties and third parties as quickly as possible to ensure that they are part of the transition effort;
- Recognition of public policy, regulatory and third-party recommendations and suggested practices to determine which of those approaches meet firms’ needs; and
- Full engagement of their first, second and third lines of defense to assist with necessary operational investments to effect the transition.

Nearly a third of the participants were foreign banking organizations, all with significant LIBOR exposures, representing a dozen countries globally. Those firms had been engaged in their IBOR transitions for several years and, in most of the categories, were equally or as advanced than their counterparts in the U.S. Thomas Rocafull, Global Banking Partner at Sia Partners, noted, “Foreign-based institutions have had for several years a complex operational challenge of transitioning multiple currencies while interacting with regulators in the UK and EC and their timelines.”

The study considered participants’ responses in relation to the major recommendations of the Federal Reserve’s Alternative Reference Rates Committee (ARRC), as well as guidance from the Financial Conduct Authority, the Bank of Japan and other leading regulators.

“LIBOR transitions often have the same starting point: a truly herculean task of inventorying affected contracts and starting to identify the various legal and business implications,” said Mark

Chorazak, a Cadwalader bank regulatory partner and one of the study leaders. “Those financial institutions that have taken this significant step are moving into 2020 with greater confidence.”

Sia Partners' Ziff concluded: “Participants globally were consistent in their optimism that the transition would assuredly occur by the deadline but noted that challenges of updating documents, integrating systems and operations and, most importantly, engaging and getting buy-in from clients is and will continue to be an enormous task.”

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About Sia Partners

Sia Partners is a next-generation consulting firm focused on delivering superior value and tangible results to its clients as they navigate the digital revolution. Our footprint and expertise in more than 30 sectors and services allow us to enhance our clients' businesses worldwide. Sia has offices in 26 locations in 17 countries – including New York, Charlotte, London, Paris, Hong Kong and Tokyo – with more than 1,650 employees. As the pioneer of Consulting 4.0, we develop consulting bots and integrate AI in our solutions. Sia Partners' dedicated Financial Services Business Units (Banking, Wealth/Asset Management, and Insurance) work closely with leading financial institutions on key projects and initiatives related to Risk Management, Regulatory Compliance, Financial Performance, Business and Technology Transformation, Performance and Process Optimization, and Strategy (business and IT/digital).

About Cadwalader, Wickersham & Taft LLP

Cadwalader, Wickersham & Taft LLP, established over 225 years ago, serves a diverse client base, including many of the world's leading financial institutions, corporations and funds in more than 50 countries. With offices in New York, London, Charlotte, Washington and Brussels, Cadwalader offers legal expertise in antitrust, banking, corporate finance, corporate governance, executive compensation, financial restructuring, health care, intellectual property, litigation, mergers and acquisitions, private equity, private wealth, real estate, regulation, securitization, structured finance, tax and white collar defense. For more information, visit www.cadwalader.com.