African Export-Import Bank

IBOR REFORM WEBINAR

February 2022

African Export-Import Bank
Banque Africaine d'Import-Export

Transforming Africa's Trade

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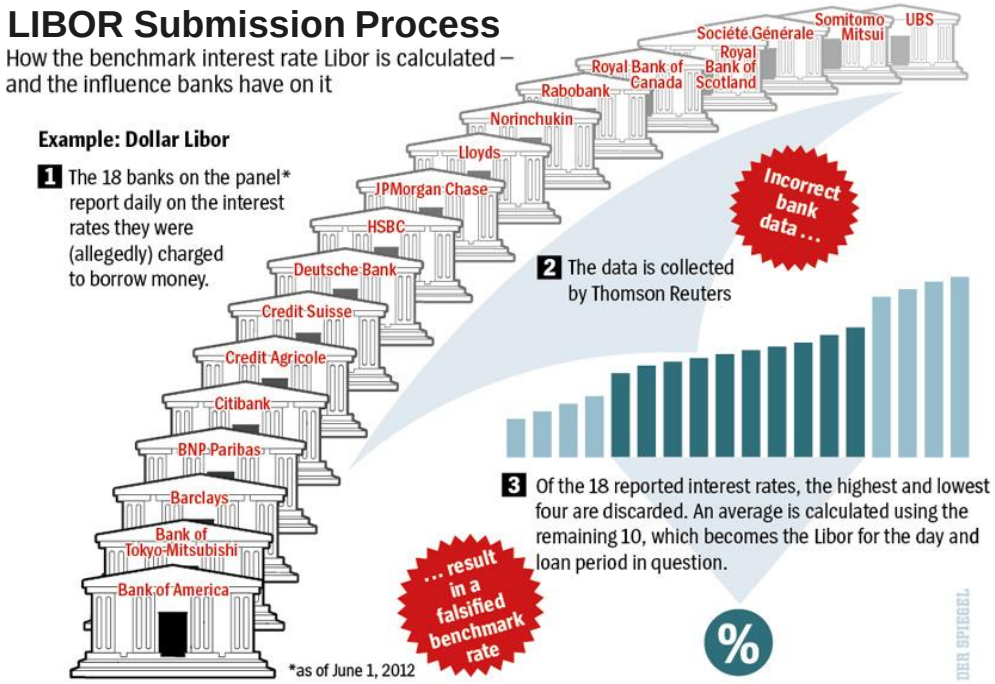
What is LIBOR?

LIBOR = London Inter Bank Offered Rate



Source: Das Spiegel (from 2012)

- Reference rate calculated based on submissions from up to 20 panel banks
- In theory, it is a barometer of a bank's creditworthiness – a low LIBOR means banks can borrow from other banks for a low interest rate, because they are confident it will be paid back
- Asking ***"At what rate could you borrow funds, were you to do so by asking for, then accepting interbank offers in a reasonable market size just prior to 11am?"***
- Produced for 5 currencies (USD, EUR, GBP, CHF and JPY) and each for 7 maturities (O/N to 12 months)
- Administered by ICE IBA, previously BBA

Why is LIBOR transition happening? (1/2)

The LIBOR manipulation incident led to major prosecution, which motivated the regulators to reform LIBOR

Manipulation (2005 – 2007)

- LIBOR submitters altered rates on derivative trading positions **to bolster their own profits.**
- This was in coordination with several other panel banks.

Investigation (2008-2012)

- Regulators picked up on significant lower than average submissions and consistent similar submissions
- **Regulators in US, UK and EU launched investigation**

Prosecutions (2012)

- Prison sentences for traders involved
- USD10 Billion fine across industry
- **Financial and reputational damage to financial institutions**

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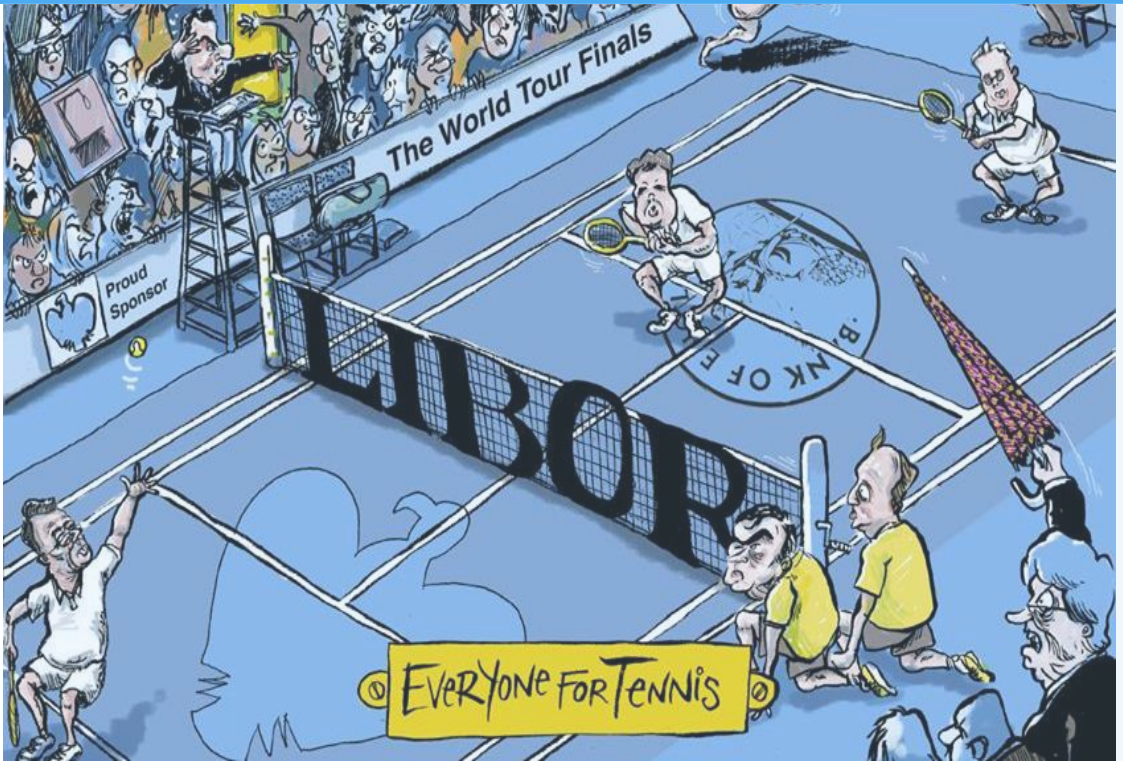
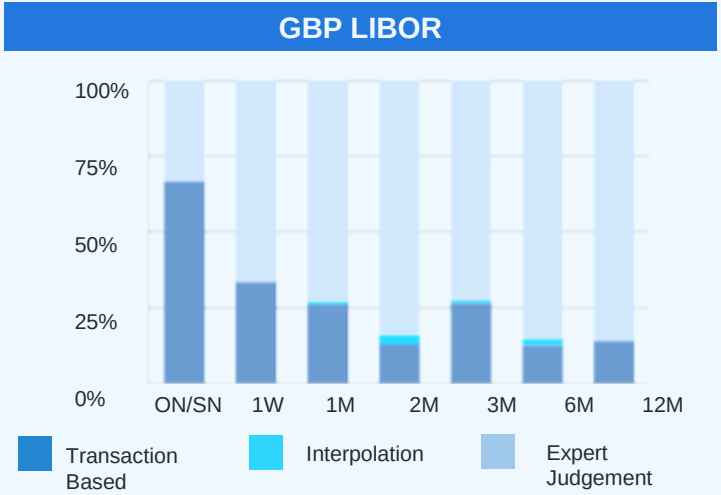
Why is LIBOR transition happening? (2/2)

"…LIBOR really has become the rate at which banks do not lend to each other."

Mark Carney, Governor of the Bank of England





Source: IBA 2018 Q1 Report on Volumes

Industry Context

– In July 2017, the Financial Conduct Authority (FCA), stated that the FCA will no longer compel panel banks to contribute to LIBOR after 2021.

– In anticipation of this transition, the US, UK, EU, Switzerland, Japan and other countries have all selected alternative risk-free rate benchmarks.

– The industry expects that the phase-out and search for new benchmarks may lead to lower rates, increased volatility, and reduced liquidity in the near term.

– However, it is also expected that financial products that are based on the alternative rates will emerge/grow quickly, as is already happening .

–There are multiple business, operational, financial and risk decisions and actions immediately at-hand across the industry, by global banks, their clients, and other market participants.

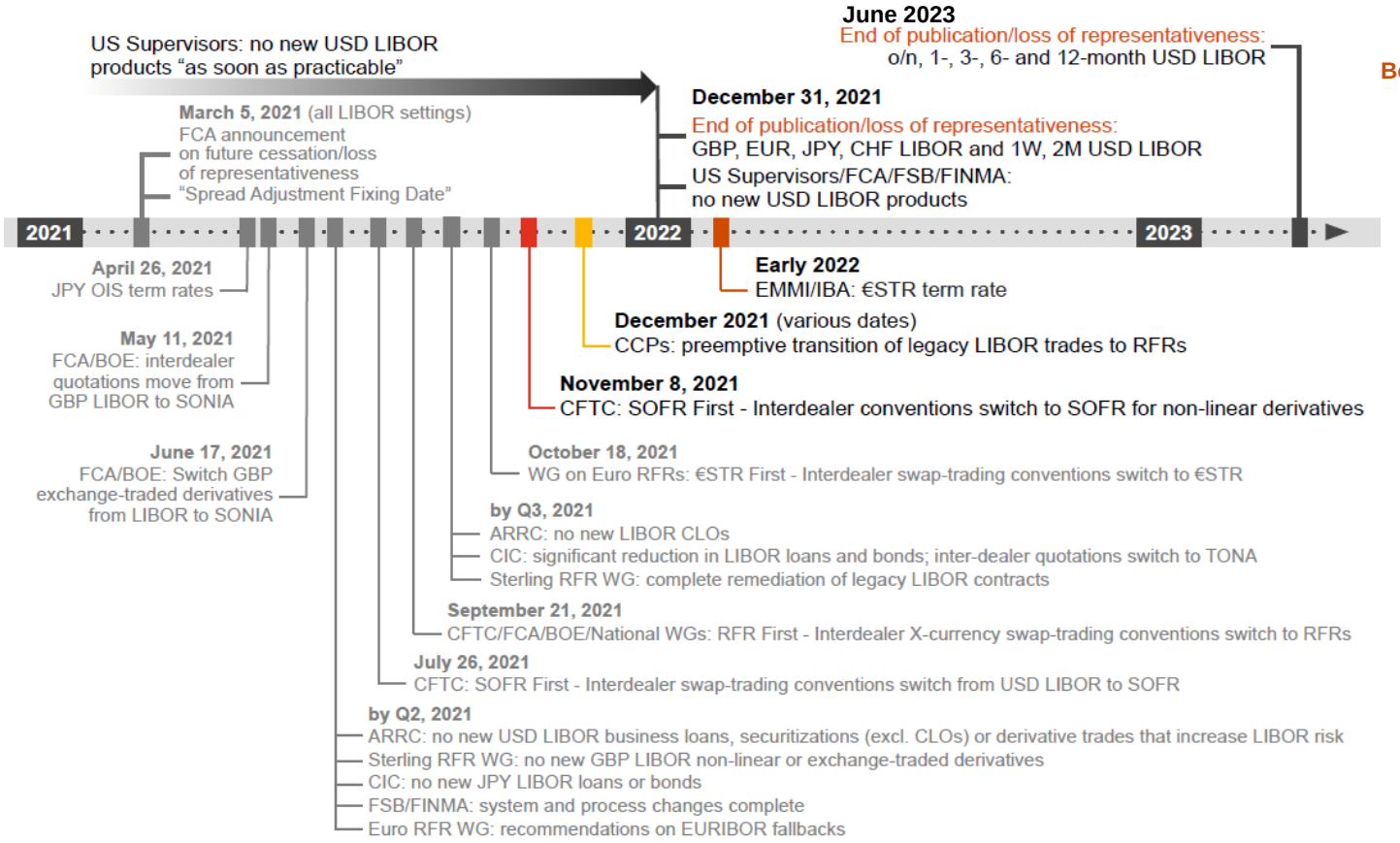
Industry Context: LIBOR's end has come

On March 5, 2021, the Financial Conduct Authority ("FCA") formally announced the future cessation and loss of representativeness of LIBOR benchmarks. The announcement follows the results of a consultation by ICE Benchmark Administration ("IBA"), LIBOR's administrator, which confirmed IBA's plans for the benchmark cessation. The FCA statement includes declarations on the future permanent cessation or less of representatives of all 35 LIBOR settings:

LIBOR	Tenor	End of Panel Bank Submissions		Potential Synthetic LIBOR Publication[1]	
		Date	Result	Begin	End[2]
CHF	ALL	*December 31, 2021*	*Permanent cessation*	*Not applicable*	
EUR	ALL	*December 31, 2021*	*Permanent cessation*	*Not applicable*	
GBP	o/n, 1-week, 2-month, 12-month	*December 31, 2021*	*Permanent cessation*	*Not applicable*	
	1-month, 3-month, 6-month	*December 31, 2021*	*Loss of representativeness*	*January 1, 2022*	*December 31, 2031*[3]
JPY	o/n, 1-week, 2-month, 12-month	*December 31, 2021*	*Permanent cessation*	*Not applicable*	
	1-month, 3-month, 6-month	*December 31, 2021*	*Loss of representativeness*	*January 1, 2022*	*December 31, 2022*
USD	1-week, 2-month	*December 31, 2021*	*Permanent cessation*[4]	*Not applicable*	
	o/n, 12-month	*June 30, 2023*	*Permanent cessation*	*Not applicable*	
	1-month, 3-month, 6-month	*June 30, 2023*	*Loss of representativeness*	*July 1, 2023*[5]	*Unspecified* [3,5]

1 Publication of synthetic LIBOR is contingent on subsequent FCA consultations.
2 Each of the LIBORs would permanently cease publication following the end of the synthetic LIBOR publication period.
3 The FCA's powers allow them to compel publication of synthetic LIBOR for a period of up to 10 years, subject to an annual review during that time.
4 Under the ISDA fallbacks, 1w and 2m USD LIBOR settings will be computed using linear interpolation between the end of 2021 and June 30, 2023, before falling back to the adjusted risk-free rate plus spread adjustment.
5 The FCA noted they will "consider the case" for using the proposed powers under UK benchmark regulation legislation to require continued publication of 1-, 3-, and 6-month USD LIBOR settings on a synthetic basis after June 30, 2023.

USD LIBOR timelines



Bottom-line:

- **This is NOT an outright extension —** Need to continue work on new RFR products, operational readiness, client education and even legacy remediation
- **Extra time to remediate legacy contracts, but possibly at a cost —** Some flexibility to deprioritise contracts that can mature on existing terms prior to LIBOR cessation...BUT: reduced USD LIBOR liquidity might increase hedging and risk management costs

Note: All target dates are contingent on successful completion of IBA's consultation.

Alternative reference rates (1/2)

An overview of the preferred risk-free reference rate (RFR) for each jurisdiction.

	SOFR	SONIA	€STR	SARON	TONA
Selected Alternative Rate	SOFR (Secured Overnight Financing Rate)	SONIA (Reformed Sterling Overnight Index Average)	€STR* (Euro Short-Term Rate)	SARON (Swiss Average Rate Overnight)	TONA* (Tokyo Overnight Average rate)
Working Group	Alternative Reference Rates Committee (ARRC)	Working Group on Sterling Risk-Free Rates	Working Group on Euro RFR	National Working Group on Swiss Franc reference rates (NWG)	Cross-Industry Committee on JPY Interest Rate Benchmarks
Administrator	Federal Reserve Bank of NY	Bank of England	European Central Bank	SIX Swiss Exchange	Bank of Japan
Data Source	Triparty repo from FICC, GCF from FICC bilateral	Form SMMD collected by BoE	MMSR	CHF interbank repo	
Nature	Secured	Unsecured	Unsecured	Secured	Unsecured
Methodology	Fully transaction- based	Fully transaction- based	Fully transaction- based	Transaction and binding quotes-based	Fully transaction- based
Overnight vs. Term	Overnight	Overnight	Overnight	Overnight	Overnight
Term Rate Availability	Formal ARRC recommendation expected shortly after July 26, the target date for interdealer brokers to switch USD linear swap trading conventions from LIBOR to SOFR	Live since January 11, 2021	WG recommended OIS quotes based methodology for forward term rate	Use of compounded SARON recommended - robust term rate seen as unlikely	Planned: a vendor to calculate term rates has been selected and publication is expected by mid 2021
Go-Live Date	April 3, 2018	April 23, 2018	October 2, 2019	Published since 2009	Published since 1992

**Expected to co-exist with local IBOR in multi-rate environment*

FICC: Fixed Income Clearing Corporation, GCF: General Collateral Financing, MMSR: Money Market Statistical reporting, SMMD: Sterling Money Market data collection reporting

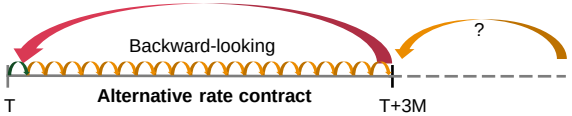
Alternative reference rates (2/2)

An overview of the preferred risk-free reference rate (RFR) for each jurisdiction.

	Hong Kong	Singapore	RBA Cash Rate AU$	Enhanced CORRA CAD$
Approach	Multiple rate approach HIBOR, the local IBOR, to coexist with the RFR	SIBOR reforms not expected to be successful - SORA expected to become primary reference rate	Multiple Rate Approach BBSW, the local IBOR to co-exist with other rates	Multi Rate Approach has been adopted
Selected Alternative Rate	HONIA (HKD Overnight Index Average)	SORA (Singapore Overnight Rate Average)	AONIA (AUD Overnight Index Average) Matched to RBA Cash Rate (Interbank overnight cash rate)	Enhanced CORRA
Working Group	Working Group on Alternative Reference Rates (“WGARR”)	Steering Committee for SOR Transition to SORA (SC-STS) The Association of Banks in Singapore (“ABS”)	Australian Financial Markets Association Australian Securitisation Forum	Canadian Alternative Reference Rate Working Group (“CARR”)
Administrator	Treasury Markets Association	MAS	Reserve Bank of Australia (RBA)	Bank of Canada
Data Source	Unsecured overnight interbank deals transacted by contributing brokers	Unsecured overnight money market transactions reported by contributing brokers	Overnight Unsecured loans in interbank market	Bank of Canada
Nature	Unsecured	Unsecured	Unsecured	Secured
Methodology	Fully transaction- based	Fully transaction- based	Fully transaction- based	Fully transaction-based
Overnight vs. Term	Overnight	Overnight	Overnight	Overnight
Term Rate Availability	• Currently no plan to discontinue HIBOR • Viewed locally as reliable • Evaluating options & looking at developments in other markets	• SORA term rate feasibility to be examined by end of year	• RBA focus on strengthening the BBSW methodology to include more transactions • ASX started publishing realized AONIA covering 1M to 6M in May 2019	• Term RFR is in development
Go-Live Date	Since April 2016 (ex-Hong Kong Dollar Overnight Index Swaps)	Since July 2005	Published since 1976	-

What’s the difference?

- Historically under LIBOR the interest for a given reset period is set at the beginning of the period.
- As new reference rates are likely to be based on overnight rates companies will no longer know how much interest they will pay at the beginning of the interest reset period.
- In addition, the LIBOR included a bank funding spread (credit risk) whereas the alternative rates are risk free rates.

Approach	LIBOR world (current) ‘Forward looking’	Alternative rate world (future) ‘Backward looking’
Daily available market rates	 Forward-Looking Term rate	 Not a forward-looking term rate
Implications for contracts	 Next interest payment due in three months time is known at inception of the reset period	 Next interest payment is only known in three months time by compounding all daily interest rates
Advantages	• Interest rate known prior to beginning of reset period • Interest rate unchanged over reset period (3M) • Cashflow more predictable • Easy to calculate	• Interest rate based on market transactions
Disadvantages	• Potentially more expensive • Interest rate not easily verifiable	• Interest rate can change during the period (3M) • Cash flow less predictable • Daily compounding calculation can be complicated

Zeroing in on SOFR Rates

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SOFR - Introduction

- ✓ The Secured Overnight Financing Rate (SOFR) provides a broad measure of the general cost of financing Treasury securities overnight, which is collateralized by US Treasury securities in the repurchase agreement market.

- ✓ It is published each business day at around 8:00 a.m. Eastern Standard Time by the Federal Reserve Bank of New York (the “New York Fed”) and is calculated as a volume-weighted median of transaction-level repo data.

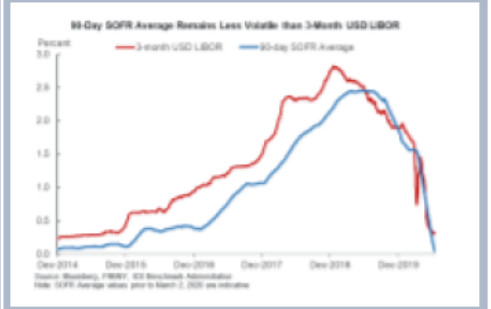
- ✓ SOFR is considered a risk-free rate when compared to LIBOR because:
  - it is based on an active market with a wide range of different lenders and borrowers, which also makes it difficult to manipulate;
  - it is based on transactions, and not bank estimates;
  - it is calculated in a transparent manner;
  - it complies with international best practices;
  - it covers numerous market segments, resulting in large transaction volumes that arise from many different market conditions;
  - the market underlying SOFR was able to withstand the global financial crisis; and
  - it is not at risk of discontinuation due to a lack of a robust underlying market.

The overnight SOFR has been criticised for being volatile and subject to fluctuations, particularly in volatile market conditions. However, the ARRC points out that financial products generally will not use a single day’s reading of SOFR, rather they will rely on an average of daily rates, which decreases volatility.

SOFR by numbers

~$1 trillion

The transaction volume underlying SOFR averages around $1 trillion per day. This is far greater than the volumes underlying overnight unsecured rates, and, while not a direct comparison, dwarfs the volumes underlying term unsecured rates—such as the ~$500 million estimated to underlie 3-month USD LIBOR.



300+

The ARRC has 300+ diverse private market institutions and associations involved on its working groups, supporting the transition to SOFR, its preferred alternative to USD LIBOR.

2021

After 31 December 2021, market participants should assume LIBOR will not continue. The ARRC encourages market participants to continue to adopt SOFR in a range of financial contracts and incorporate appropriate fallback language in LIBOR-referencing contracts.

SOFR Term Rate

The CME Term SOFR Reference Rates benchmark is a daily set of forward looking interest rate estimates, calculated and published for 1-month, 3-month, 6-month and 12-month tenors.

- CME Term SOFR benchmarks are based on CME Group's deep and liquid underlying SOFR futures, making them a robust and sustainable measure of forward-looking SOFR rates. No expert judgement is applied to the determination of the CME Term SOFR Reference Rates benchmarks.

- Benchmark calculations are supported by $218 billion notional in daily SOFR futures volumes transacted on CME Group's regulated electronic marketplace (data as of H1 2021).

- CME Term SOFR Reference Rates are computed based on a reference period that begins two Business Days (T+2) after the Publication Date settlement. CME Term SOFR Reference Rates will be calculated for each day the NY Fed calculates and publishes SOFR. Publication will occur at 5.00am CT (6.00am ET, typically 11.00am GMT).

- The CME Term SOFR Reference Rates are Administered by CME Group Benchmark Administration Limited (CBA) and is published on the CME Group website and on licensed data vendor platforms.

- CME Term SOFR Reference Rates are Benchmarks Regulation (BMR) compliant, aligned to IOSCO principles, and endorsed by the Alternative Reference Rates Committee (ARRC).

ARRC's Recommended Best Practices for the Use of SOFR Term Rate (1/2)

"The use of the SOFR Term Rate should be in proportion to the depth of transactions in the underlying derivatives market and should not materially detract from volumes in the underlying SOFR-linked derivatives transactions that are relied upon to construct the SOFR Term Rate itself over time and as the market evolves."

– Alternative Reference Rates Committee (ARRC)

USD LIBOR Legacy Contracts

- The ARRC has issued recommended fallback language for market participants' voluntary use in contracts that reference USD LIBOR, with the goal of reducing the risk of serious market disruption when LIBOR is no longer usable.
- These recommendations were made after widespread market consultation, which showed that the clear majority of respondents preferred to fallback to an ARRC recommended SOFR term rate in order to support the smooth transition of legacy contracts away from LIBOR.
- For this reason, the first step of the fallback waterfall is a forward looking, SOFR-based term rate (provided one has been recommended in the appropriate tenor) by the ARRC.
- Following the formal recommendation of the SOFR Term Rate, legacy contracts that have adopted the ARRC's fallback language without modification to the rate waterfall will, if the relevant tenor exists, fall back to the SOFR Term Rate once the contractual LIBOR replacement date occurs.

ARRC's Recommended Best Practices for the Use of SOFR Term Rate (2/2)

"The use of the SOFR Term Rate should be in proportion to the depth of transactions in the underlying derivatives market and should not materially detract from volumes in the underlying SOFR-linked derivatives transactions that are relied upon to construct the SOFR Term Rate itself over time and as the market evolves."

– Alternative Reference Rates Committee (ARRC)

USD LIBOR Legacy Contracts

- As a general principle, market participants should use overnight SOFR and SOFR averages for new contracts
- Overnight SOFR and SOFR averages should be used where a party intends to hedge in the most efficient and transparent manner.
- ARRC also supports the use of the SOFR Term Rate in areas where use of overnight and averages of SOFR has proven to be difficult e.g. multi-lender facilities, trade finance loans etc.
- SOFR Term Rate may also be appropriate for certain securitizations that hold underlying business loans or other assets that reference the SOFR Term Rate and where those assets cannot easily reference other forms of SOFR.
- Generally, SOFR Term Rates are not recommended for derivatives markets.
- Any use of SOFR Term Rate for derivatives should be limited to end-user facing derivatives intended to hedge cash products that reference the SOFR Term Rate.

SOFR Term Rate – Other considerations

1

A Use License must be obtained directly with CME Group under the Information License Agreement (ILA), by any institution that uses CME Term SOFR Reference Rates as a data input or reference in valuation, pricing, transactional or benchmarking activities.

Currently, CME Term SOFR Reference Rates are available to license directly under two specific Use Licenses: Category 1 – Use in Cash Market Financial Products and Category 2 – Use in OTC Derivative Products:

Licences are available at no cost until December 2026.

2

Term SOFR is not credit risk sensitive. Spread adjustments must be incorporated into SOFR rates.

SOFR Averages

1. SOFR Averages are compounded averages of the SOFR over rolling 30, 90, and 180-calendar day periods and are published daily on the New York Fed's website at approximately 8.00a.m E.T after SOFR overnight rate.

2. SOFR averages can be used either in advance or in arrears depending on whether the averages are applied at the start or end of an interest period, but they are more likely to be used in advance.

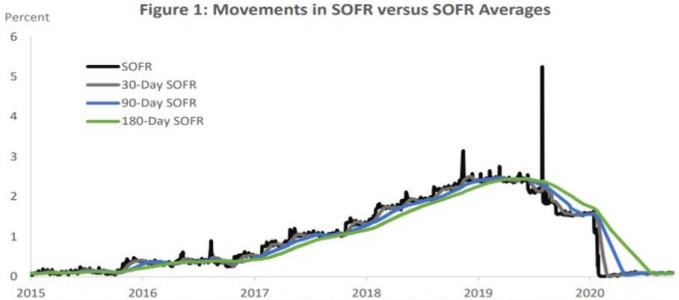
3. They are calculated based on ISDA's compound SOFR formula. SOFR averages calculations may start on a weekend or holiday in order to ensure that they cover a fixed number of days,which makes it different from the standard convention in the SOFR OIS which would always start and stop on a business day.

SOFR Averages- Reasons for Usage

There are two essential reasons for the usage of an average of the overnight rate according to the ARRC report of February 2021:

- Average of daily overnight rates will accurately reflect movements in interest rates over a given period of time. For example, SOFR futures and swaps contracts are constructed to allow users to hedge future interest rate movements over a fixed period of time, and an average of the daily overnight rates that occur over the period accomplishes this.

- Average overnight rate smooths out idiosyncratic, day-to-day fluctuations in market rates, making it more appropriate for use.



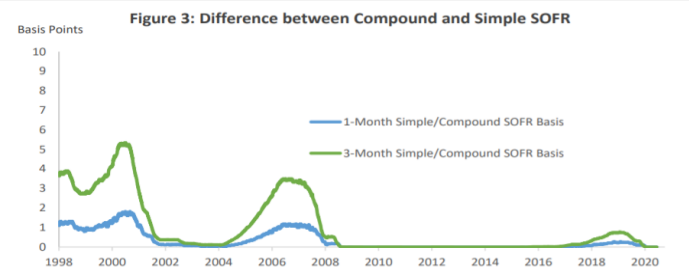
Source: Federal Reserve Bank of New York; Federal Reserve Board staff calculations. Data from August 2014 to March 2018 represent modeled, pre-production estimates of SOFR.

Compounded versus Simple SOFR

There are two (2) types of averaging that could be adopted and the choice to be adopted would depend on suitability to operational systems and importantly agreement between counterparties:

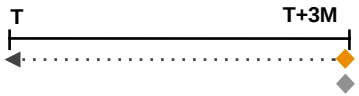
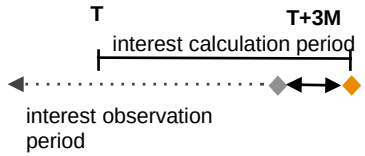
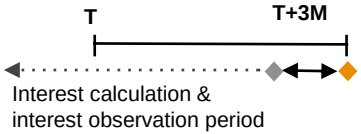
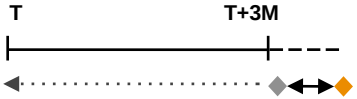
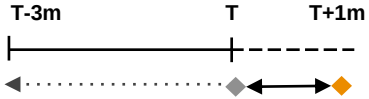
- Simple interest is a long-standing convention, and it is easier to use from an operational perspective. Under this convention, the additional amount of interest owed each day is calculated by applying the daily rate of interest to the principal borrowed, and the payment due at the end of the period is the sum of those amounts

- Compound interest recognizes that the borrower does not pay back interest owed on a daily basis and it therefore keeps track of the accumulated interest owed but not yet paid. The additional amount of interest owed each day is calculated by applying the daily rate of interest both to the principal borrowed and the accumulated unpaid interest.



Source: Federal Reserve Bank of New York; Federal Reserve Board staff calculations. Data from August 2014 to March 2018 represent modeled, pre-production estimates of SOFR.

Compounding conventions

		Features	SC-STS recommendation
Base case		Interest reset & payment aligned	
Lookback without observation shift		The day interest rate is replaced by the rate a few business days ago. As such, the 3 month interest (in this example) is known a few days before the end of the interest period.	Corporate loans, SME Loans, Securities (Bonds)
Lookback with observation shift		As above, except the entire interest period is also shifted to align with the interest observation period.	Corporate loans, SME Loans, Securities (Bonds)
Payment Delay		Interest payments are delayed by an agreed number of business days after the end of the interest period	Derivatives
Compounded in advance		Interest on simple av. of the past 90 day SOFR rate and reset every month	Retail and SME Loans

Interest reset date Interest payment date

Compounding Conventions

Lookback without Observation Shift[1] - Overview

Below is an illustration of 5 Banking Days Lookback rate fixing for a SONIA referencing loan.

- Rate used (T-5)
- Rate known/ published (T-4)
- Interest Payment amount known
- Interest Payment date (IP)

How does 5 banking days Lookback work?

Every day of the interest period, 5 banking days prior rate is used.

For example – if a loan is drawn effective 05-Feb-19 (Tue), the applicable rate will be the rate for 29-Jan-19 (Tue) which is published on 30-Jan-19 (Wed). The same process is repeated throughout the interest/ loan period.

Rate for	28-Jan Mon	29-Jan Tue	30-Jan Wed	31-Jan Thu	01-Feb Fri	02-Feb Sat	03-Feb Sun	04-Feb Mon	05-Feb Tue	06-Feb Wed	07-Feb Thu
Published on	29-Jan Tue	30-Jan Wed	31-Jan Thu	01-Feb Fri	04-Feb Mon	-	-	05-Feb Tue	06-Feb Wed	07-Feb Thu	08-Feb Fri
	0.7054	0.7036	0.7034	0.7034	0.7025	-	-	0.7051	0.7048	0.7066	0.7065

Loan Period - 05-Feb-19 to 12-Feb-19

Observation Date	Start Date	End Date	Daily RFR	Comment
Tue,29-Jan-19	Tue,05-Feb-19	Wed,06-Feb-19	0.7036	Use rate for 29-Jan published on 30-Jan
Wed,30-Jan-19	Wed,06-Feb-19	Thu,07-Feb-19	0.7034	Use rate for 30-Jan published on 31-Jan
Thu,31-Jan-19	Thu,07-Feb-19	Fri,08-Feb-19	0.7034	Use rate for 31-Jan published on 1-Feb
Fri,01-Feb-19	Fri,08-Feb-19	Mon,11-Feb-19	0.7025	Use rate for 1-Feb published on 4-Feb
Mon,04-Feb-19	Mon,11-Feb-19	Tue,12-Feb-19	0.7051	Use rate for 4-Feb published on 5-Feb

[1] Also known as 'Lag'

The significance of the lookback period is to ensure the parties know the interest that will be payable at the end of that interest period a few days in advance of the payment date.

Credit Adjustment Spread Approaches

Two proposed approaches are the five-year median and the forward-looking approach.

The Five-Year Median

- The CAS is based on the difference between LIBOR and SOFR over a particular interest period, calculated using a median over a five-year lookback period.
- The five-year historical median approach has been adopted by ISDA and has been used in a number of loan deals to date that have included a built-in switch to risk-free rates.

The Forward-Looking Approach

- The CAS is calculated as the linear interpolation between differing tenors of LIBOR vs SOFR swaps.
- This methodology has also been used in some loan deals.
- The CAS calculation is based on the forward-looking basis swap transactions market, which is used to calculate the implied future difference between LIBOR and SOFR.

Afreximbank Approach

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Afreximbank Proposed Calculation Methodology

a. Interest Calculation using Compounded SOFR & Simple SOFR in Arrears

The Calculation using Compounded SOFR and simple SOFR was approved by the Bank, with mechanics as follows:

	Afreximbank Approved Methods	
Lending/Assets	Interest Methodology	5 business day lookback Non-Cumulative Compounded Rate (NCCR) in arrears without observation shift for large and complex transactions.
		Simple interest in arrears for the smaller corporates and some products.

NCCR makes it possible to calculate the interest that has accrued since the start of an interest period on any day during the interest period – there is no need to wait until the end of the observation period. Also supports intra-interest period events- prepayments, secondary loan trading

Afreximbank Proposed Calculation Methodology

b. Interest Calculation Using Term SOFR

- Term SOFR (1M, 3M, 6M and 12M) available for use by the Bank.
- Term SOFR permits clients to know the interest rate and therefore the interest amount anticipated in advance of a maturity date and in the process permit the sourcing of foreign currency funds for both capital and interest servicing.

Impact of LIBOR transition to an alternative rate

&

Afreximbank Next Steps

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Challenges with IBOR transition

Ubiquitous (Everyone, Everywhere)	**Uncertainty** (High degree of uncertainty over short time frame)	**Operationally Complex** (Dynamic, operationally intensive and technical problem)
• $200 trillion of bonds, loans and derivatives indexed to USD LIBOR • $350 trillion across USD, GBP, EUR, CHF, JPY • Embedded in service contracts, leases, deferred compensation, performance contracts • Impacts all forms of social entities- governments, FS and non FS companies	• Evolution of term rates • Depth and breadth of liquidity • Quality, timing of fallback language • Existence and adoption of derivatives, other reference rates • Role of regulators unclear and changing • Capacity of industry to handle	• Functionally different curves that develop at different times • Dynamic- dependencies on market evolution • Dependencies on accounting, tax and regulatory relief, calculation of value transfer • Multijurisdictional

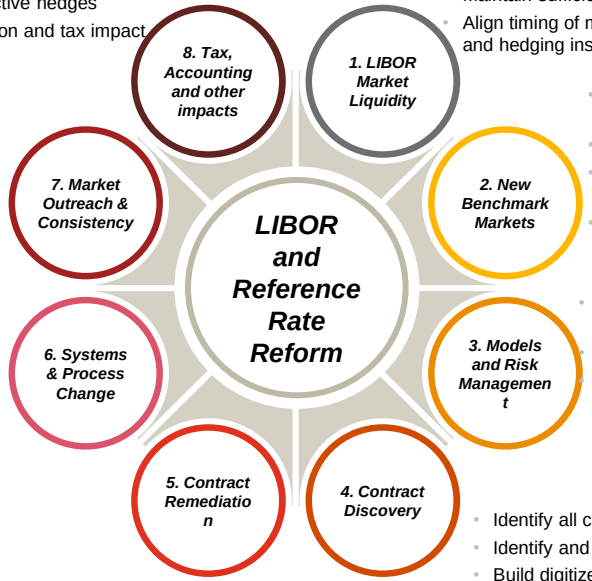
Operational impacts from LIBOR reform require change across functions, entities, systems and processes

- Determine impact of new hedge accounting standards to facilitate targeted change, and existing strategies requiring modification
- Specify criteria that would trigger evaluation of prospective hedges
- Evaluate operational approaches to contract modification and tax impact triggered by modifications

- Determine engagement strategy with industry groups and trade associations
- Develop engagement approach with regulatory bodies e.g. consumer protection
- Coordinate customer outreach across businesses
- Evaluate impact of timeline differences across jurisdictions

- Identify all impacted business processes and systems and typical lead time required for changes
- Determine changes required to internal and external systems and processes, and dependencies
- Develop integrated timeline and resource requirements for internal and vendor systems and process change

- Identify contract groupings requiring new language
- Leverage industry efforts for consistent contract remediation
- Determine timeline required for contract remediation considering term funding needs, negotiation timelines



- Maintain sufficient liquidity in LIBOR hedging instruments
- Align timing of migration of underlying product (loans, mortgages, bonds) and hedging instruments away from LIBOR

- Build primary products to develop term rates based on new benchmarks
- Build term structure for primary reference rates
- Build tenor, currency & credit (secured vs. unsecured) basis curve families
- Create, operationalize and build liquidity in new products

- Identify, enhance and validate all models required to switch from LIBOR to new rates
- Develop time series of data for risk and capital models
- Develop framework for simulation uncertainty of new rates for capital and funding requirements

- Identify all contracts with direct (LIBOR indexed) or indirect provisions
- Identify and evaluate existing fall back and replacement language
- Build digitized library of all relevant contracts across business and product t
- Propagate sample based analysis through the universe of contracts

How to approach new transactions in 2021

Term Sheets and Documentation

In conducting its business, the Bank is party to new and ongoing negotiation of bilateral and syndicated facilities under which the Bank is required to elect related provisions in term sheets and facility agreements. The Bank is retaining the Interest Rate Benchmark Replacement clauses in its term sheets.

The clauses shall assist the Bank to implement the updates in facility agreements at later stages from the date of start of use of SOFR by the Bank.

Afreximbank Next Steps

- Finalise the Implementation of changes and or updates to the Bank systems to accommodate Libor transition.
- Origination of transactions based on new calculation methodologies for replacement rates.
- Repapering of existing transactions.
- Cessation of use of Libor.
- In the meantime, you may wish to seek guidance from your legal, tax, accounting or financial advisors on the possible implications of the transition. Should you have any queries please do not hesitate to contact your Relationship Manager or Clientrelations@afreximbank.com

Questions

Closing Remarks

African Export-Import Bank
Banque Africaine d'Import-Export

Transforming Africa's Trade

Closing Remarks

- **This is a business issue, not a regulatory one** - the market is moving and it will fundamentally affect how businesses operate
- Afreximbank **is actively managing the transition**
- This is **pervasive across facets of the institutions** - bank, customer, client, regulatory stakeholders; business, risk, ops, tech, finance, compliance, legal
- Focus for the banks is currently on **getting ready to manage the change** - getting governance structures set up to drive change, and conducting impact assessments to get the knowledge level up across the organisation, and work out which parts of the business are most affected.
- Intensity of those **efforts continues to grow across global banks**
- **Cooperation and proactivity of our key stakeholders including clients** is central to the smooth attainment of transition.

AFREXIMBANK

Thank you

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