



## LIBOR Statement Likely Constitutes “Transition Event” Under Loan Documents

**MARCH 2021**

Last week concluded with the most significant development to date in the London Inter-bank Offered Rate (“LIBOR”) transition process. On March 5, 2021, the ICE Benchmark Administration (“IBA”) announced cessation dates for LIBOR publication. Certain international denominations and the one-week and two-month USD LIBOR settings will cease publication on December 31, 2021, and the more commonly used Overnight and one-, three-, six-, and 12-month USD LIBOR settings will cease immediately following publication on June 30, 2023.

Significantly for lenders on bilateral loans and administrative agents on syndicated credit facilities, this IBA announcement will trigger certain notice requirements in loan documents that have adopted the market-standard Alternative Reference Rates Committee (“ARRC”) LIBOR fallback language. This language, which has been adopted in most credit facilities originated over the past 18 months, defines a “Benchmark Transition Event” as, in part, “a public statement or publication of information by or on behalf of the [LIBOR administrator] ... announcing that such administrator has ceased or will cease to provide all Available Tenors of [LIBOR].” The occurrence of a Benchmark Transition Event initiates the transition process under the fallback language and requires prompt notice from the lender (or administrative agent) to the borrower or other counterparties.

While the transition to an alternative benchmark, such as Secured Overnight Financing Rate (“SOFR”), is not yet required in most circumstances, all financial institutions should begin actively reviewing their loan documents and other instruments that reference LIBOR and provide written notice to counterparties as required in order to maintain contractual compliance.

For additional information and assistance in drafting applicable notices or analyzing relevant contractual provisions, please contact one of the Tucker Ellis attorneys listed below.

### **Additional Information**

---

For more information, please contact:

- [John C. \(Chaz\) Weber](mailto:chaz.weber@tuckerellis.com) | 216.696.4887 | [chaz.weber@tuckerellis.com](mailto:chaz.weber@tuckerellis.com)
- [Thomas W. Ostrowski](mailto:thomas.ostrowski@tuckerellis.com) | 216.696.5572 | [thomas.ostrowski@tuckerellis.com](mailto:thomas.ostrowski@tuckerellis.com)
- [Eugene M. Killeen](mailto:eugene.killeen@tuckerellis.com) | 216.696.3984 | [eugene.killeen@tuckerellis.com](mailto:eugene.killeen@tuckerellis.com)

This Client Alert has been prepared by Tucker Ellis LLP for the use of our clients. Although prepared by professionals, it should not be used as a substitute for legal counseling in specific situations. Readers should not act upon the information contained herein without professional guidance.

© 2024 Tucker Ellis LLP, All rights reserved.