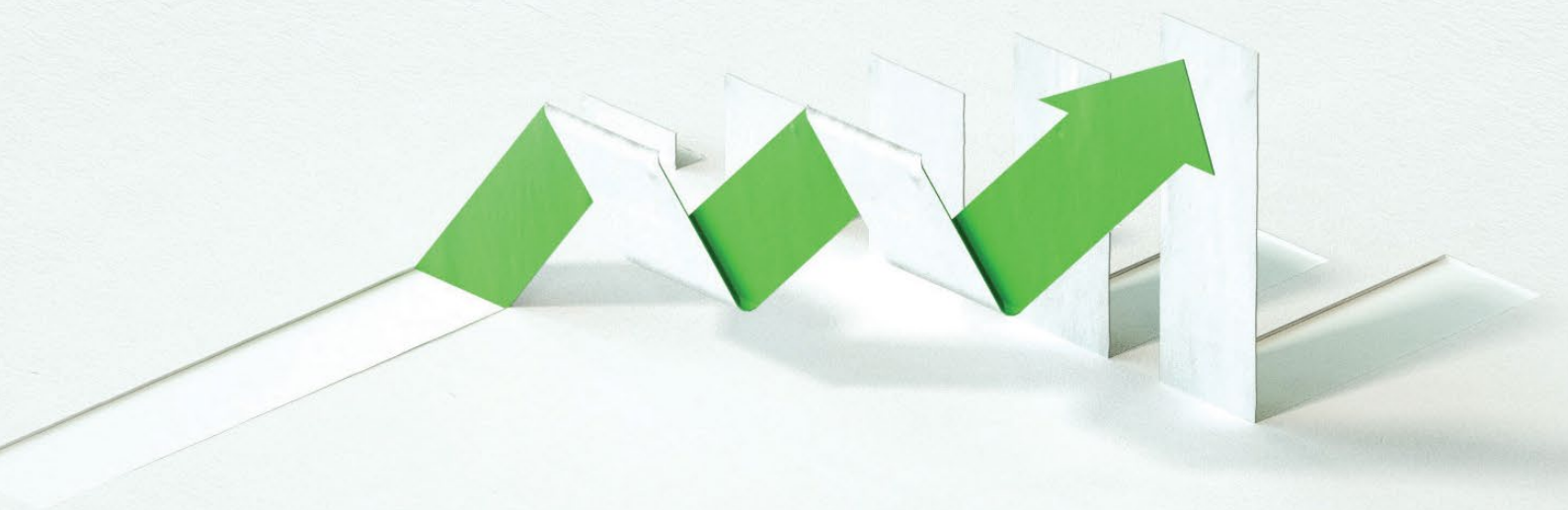


Bevan Brittan 

LIBOR Transition

Practical Next Steps



In partnership with



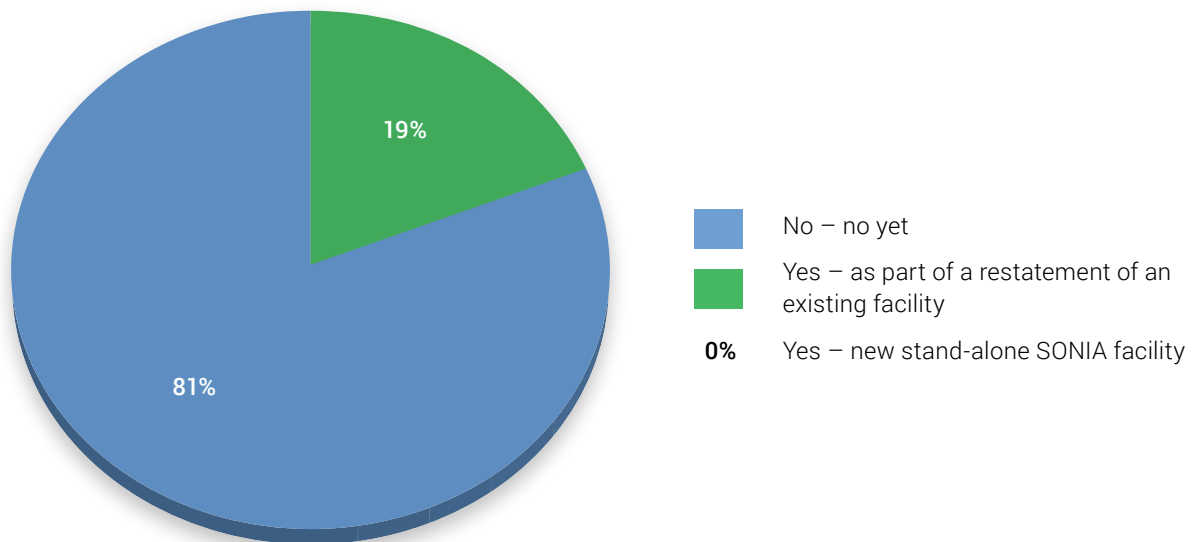
Are you ready for the transition?

On 14 April 2021 Bevan Brittan hosted a [joint webinar with DTP](#) which looked at the current position in the loan market on the transition to SONIA. The speaker panel, consisting of Louise Leaver, Partner and Head of Housing – Bevan Brittan, Deborah Rowntree, Partner – Bevan Brittan and Andy Gladwin, Director – DTP, outlined the practical steps registered providers should now be taking given the recent FCA announcement confirming the cessation of most LIBOR settings on 31 December 2021.

During the session, to gauge progress of the transition across the sector, and the routes being taken to document it, we conducted a series of polls. These provided some interesting results as set out below based on a sample of attendees at the webinar who were mainly registered providers.

Firstly we asked attendees whether they now have any loans on SONIA terms.

Have you any loans currently on SONIA terms?



The poll results show that the majority of attendees are yet to document the switch to SONIA or enter into any new loans benchmarked to SONIA. Interestingly, none had entered into new SONIA facilities, despite the fact that no new loans are now able to be offered on a LIBOR basis under the Bank of England Working Groups transition timetable. We are now beginning to see override agreements come through from lenders as another mechanism by which transition can be documented on a more general basis.

“To date transition is being brought forward where wider amendments are being made to documents, terms are being extended to facilities, and transition is being dealt with as part of this process.”

“Now we are seeing a shift as more of the lenders want to be more proactive and we are seeing the override agreements start to come through.”

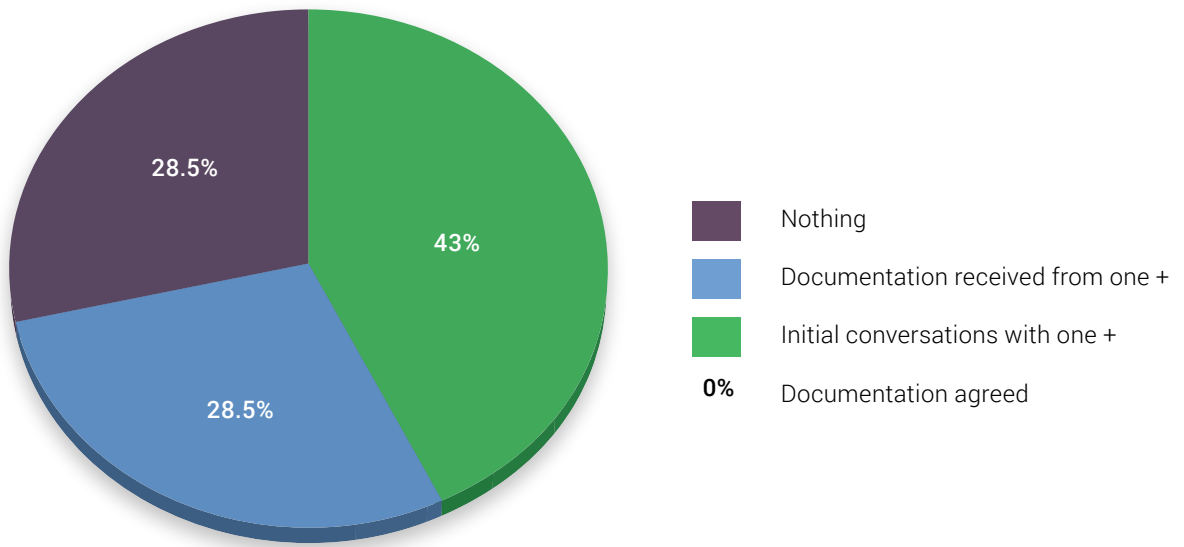
Deborah Rowntree, Partner, Bevan Brittan

“From the start of the month we are seeing communications ramp up from funders, so the focus is very much on the core of the loan book and those existing arrangements which are in place which weren’t the subject of any restatement or amendment pre-year end.”

Andy Gladwin, Director, DTP

Our second poll asked whether any attendees had received any information from funders about their intentions to document the transition.

Have your lenders provided any information or documentation on LIBOR transition?



It is good to see from the poll results that the majority have either had at least initial conversations with lenders, or have now received switch documentation, albeit only a few choosing the latter answer in the poll. However, it is surprising that the number that have received documentation matches the number of attendees that have heard nothing at all from their lenders. Hopefully this will change over the next month, but engagement with lenders is crucial if nothing has been heard so far.

"The key is to take the initiative [to contact lenders] as time is limited. If you haven't received anything, reach out and engage with the funders. Funders are in different stages of readiness, but we are nearing five months now so reach out and understand where they are at with the process!"

Andy Gladwin, Director, DTP

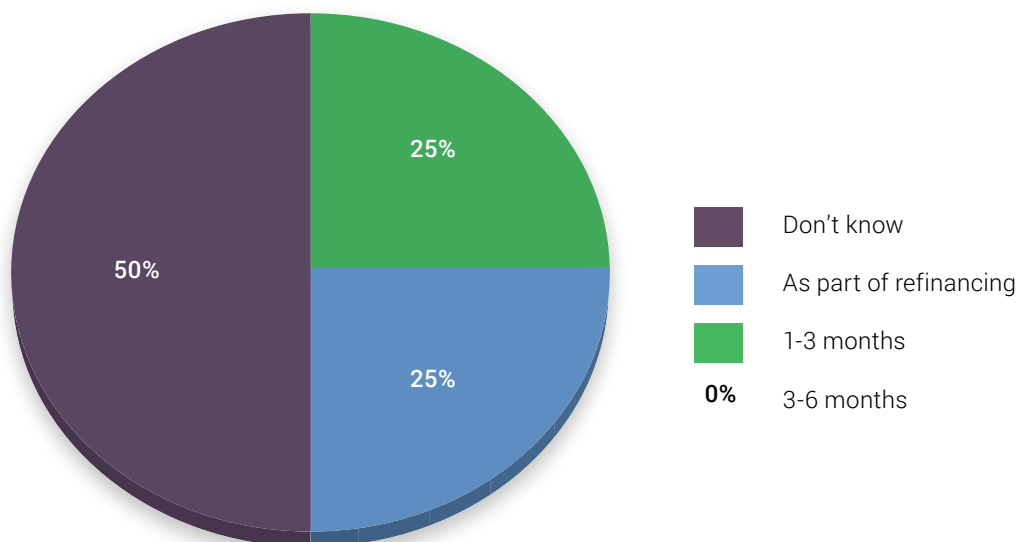
"It is quite surprising and a little concerning that almost a third of people [in the poll] haven't heard anything from their lenders yet. Certain lenders are being more proactive on new SONIA loans but are yet to put anything out there regarding the transition of their existing book."

"We have seen the whole spectrum of responses. Over the course of next month, for any lenders who have not yet sent anything out we should begin to see something."

Deborah Rowntree, Partner, Bevan Brittan

In anticipation of the approaching deadline for the end of the transition period, we asked attendees to indicate when they intend to transition.

When do you intend to transition from LIBOR to SONIA?



As the end of Q3, being the date by which all loans should have transitioned (as set out in the Working Group roadmap), is only five months away, it is slightly concerning that half of the attendees indicated that they didn't know the timing of their intended transition. Given that we are beginning to see documentation from lenders, this may change shortly. The key here is that time is of the essence, so planning is needed if it hasn't been done already to manage the process in time for the deadline.

"The results of the poll are surprising given where we are with timing. We are now only five months from the end of the Q3 deadline – when all loans should have transitioned. Maybe those in the 'don't know' category haven't received anything from lenders yet, and that may change in the course of the next month."

"Whilst no one needs to panic, I do think everyone needs to take steps now to hit the deadlines that have been set."

Deborah Rowntree, Partner, Bevan Brittan

"Timing is of the essence now, as we do have a limited time to work to."

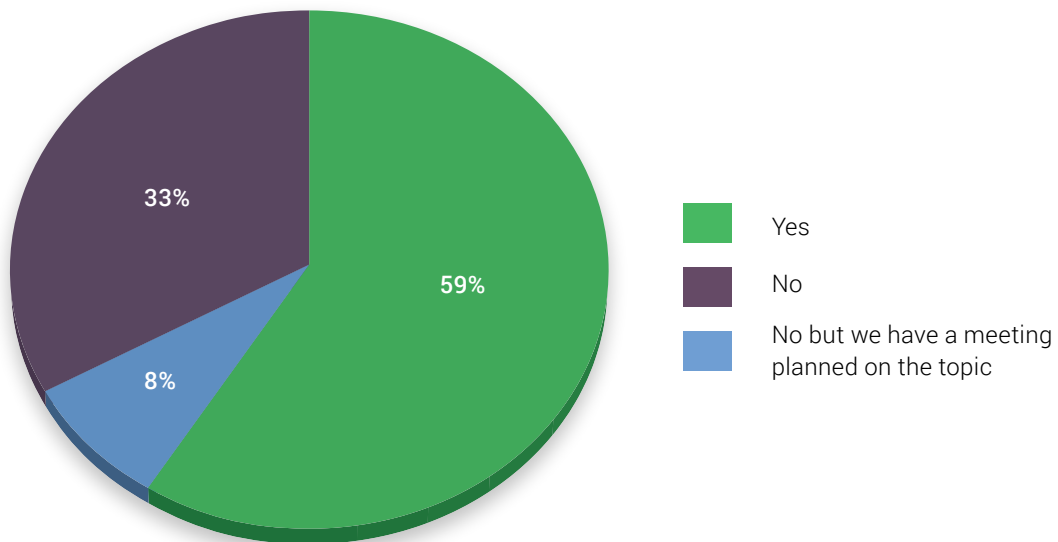
"There is no need to panic, what we are doing is manageable and particularly if you don't have complex treasury arrangements, then in the time we have got, we should be able to plan this and manage the process smoothly."

"It's about thinking about the planning now!"

Andy Gladwin, Director, DTP

As a crucial part of the transition is board acceptance of the new SONIA terms, we asked attendees to indicate the steps being taken to achieve this.

Are your board aware of the transition and implications?



It is encouraging to see that the majority of boards have already been briefed, so that any questions from the board can be answered well before documentation has to be entered into. The implications of the transition will need to be explained fully and in detail to those boards that are yet to be briefed with plenty of time, as it may not be an area that has been examined in detail before by the board.

"[If Boards are not aware] now is a good opportunity for Boards to get an update on the topic and get some conversations going."

Louise Leaver, Partner and Head of Housing, Bevan Brittan

For help or advice on transferring your LIBOR loans, please contact:



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