

IFC Client Quick Reference Guide

FOR LIBOR TRANSITION 2021 / 2022

U.S. REGULATORS MANDATE

No new LIBOR contracts after
December 31, 2021

USD LIBOR WILL BE PUBLISHED for use in legacy transactions until **June 30, 2023***

WHAT DOES THIS MEAN FOR ME?

- IFC is offering a seamless transition from LIBOR to Term SOFR.
- Daily Compounded SOFR products are available upon demand.
- Existing US\$ variable rate loans maturing after June 30, 2023, will be amended to switch the reference rate from LIBOR to Term SOFR as the preferred replacement rate.
- IFC staff expects to reach out to clients with existing LIBOR loans starting in early 2022.

*Except 1-week and 2-month USD LIBOR tenors which will cease on December 31, 2021

Photo: Joseph Rebello / IFC

New Term SOFR Loans with IFC



Starting January 1, 2022, all new US\$ variable rate loans offered by IFC will reference Term SOFR.



IFC and other Emerging Market lenders are converging to Term SOFR as a preferred rate as this most closely resembles LIBOR operationally.



Please contact your IFC Relationship Manager if alternative SOFR loan structures or hedging products are required.

Existing Loans with IFC



Borrowers will be asked to amend existing loan agreements to Term SOFR before LIBOR cessation on June 30, 2023.



The amendment process will be carried out with the goal of preserving the underlying economics for both the Borrower and for IFC.



IFC will seek conversion as soon as practical for clients, but in any event, the switch to SOFR will be effective no later than the first interest reset date after June 30, 2023.



IFC's LIBOR Transition



Client Primer



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This information is based on current available information and is subject to change.



IFC International
Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

IFC'S TRANSITION FROM LIBOR TO SOFR

2021

2022

2023

December 7, 2021

IFC's Term SOFR product approved

December 31, 2021

U.S. regulators mandated no new LIBOR contracts

January - March 2022

IFC to launch amendment process for legacy loans

June 30, 2023

Cessation of 3-month and 6-month USD LIBOR

OVERVIEW OF TRANSITION TO SECURE OVERNIGHT FINANCING RATE (SOFR)



Given the fundamental weaknesses of LIBOR, in 2014 the Financial Stability Board (FSB) recommended the adoption of near risk-free rates (RFRs) to replace IBORs.



Recommended by the Alternative Reference Rates Committee (ARRC) and chosen by the International Swaps and Derivatives Association (ISDA) as the replacement of LIBOR in derivatives contracts, SOFR is the U.S. regulators' preferred USD LIBOR replacement.



SOFR is a broad measure of the cost of borrowing cash overnight when fully collateralized by U.S. Treasury securities (daily volume of nearly \$1 trillion).



SOFR is a virtually "risk free rate." Unlike LIBOR, it does not include an interbank credit risk premium. SOFR is made-up of transactions which are secured by U.S. Treasury securities. Consequently, SOFR has historically been lower than LIBOR.



SOFR requires an additional spread adjustment to balance financial interests of borrowers and lenders such that SOFR loans are economically equivalent to the LIBOR loans they replace.



Term SOFR is recommended by ARRC and increasingly endorsed by regulators and market participants as this structure allows forward setting of interest rates, much like LIBOR, without the inherent weaknesses of LIBOR.

