

MANAGING THE LIBOR TRANSITION

CLIENT NOTIFICATION GUIDE

An industry-wide initiative is underway to replace the London Inter-Bank Offered Rate (LIBOR) with the SOFR (Secured Overnight Financing Rate).

For example: Fannie Mae and Freddie Mac’s published playbook and specifications firmly establish SOFR as USD LIBOR’s replacement in the mortgage market which effectively removes any reliance on LIBOR in the mortgage market well before its presumed sunset date of the end of 2021.

Here is our Client Notification on managing the LIBOR transition in Paragon.

1 HOW DOES PARAGON USE THIS DATA?

Paragon utilizes Rate Indices such as US LIBOR to calculate accrued interest, accretion/amortization, yield and many other analytics. The record type in Paragon ultimately determines the relationship between the rate utilized and the individual accounting position.

There are two different processes depending on the asset types: If a position is a bond, the rate is managed via the Security Master. However, if the position relates to a Money Market or Derivative transaction, the rate is tied to the transaction and the adjustment must be directly applied to each transaction record.

“Secured Overnight Financing Rate (SOFR) is a benchmark interest rate for dollar-denominated derivatives and loans that is expected to replace London Inter-Bank Offered Rate (LIBOR).”



2 ARE THERE CHANGES REQUIRED IN PARAGON?

The Paragon system does not require further development or updates to manage the transition to SOFR or other Index. However, clients will need to investigate the way they manage rates today and make changes to existing positions’ data with support from Paragon Client Services Team, in some cases.

Please contact the Paragon Client Services Team and request the ‘Paragon - LIBOR Transition User Guide’ that outlines the conditions where actions are required to align existing positions, the steps to take and where additional Paragon Client Services Team support is required with custom scripts to aid the updating of impacted positions.

3 MANAGING THE CHANGE

The Paragon Client Services Team is here to help. When it is time to manage the data changes to your existing positions, the afore-mentioned User Guide will help ensure the required actions are clear.

If you have any questions relating to these processes, please contact the Paragon Client Services Team and request the ‘Paragon - LIBOR Transition User Guide’ by emailing paragon.clientservices@corfinancialgroup.com

DISCLAIMER

This paper is not intended to provide advice relating to this global change, it simply outlines the impact of this change when considering the use of this data in our Paragon solution.