Libor Self-assessment Tool

Bank management may use this self-assessment tool to evaluate bank risk management processes to identify and mitigate the bank's Libor transition risks. Not all sections or questions apply to all banks. Bank management should tailor the bank's risk management process to the size and complexity of the bank's Libor exposures. For example, large or complex banks and those with material Libor exposures should have a robust, well-developed transition process in place. In contrast, for small or non-complex banks and those with limited exposure to Libor-indexed instruments, less extensive and less formal transition efforts may be appropriate. Bank management should consider all applicable risks (e.g., operational, compliance, strategic, and reputation) when scoping and completing Libor cessation preparedness assessments.

Given the expectation for banks to cease entering into new contracts that use Libor as a reference rate by December 31, 2021, bank management should assess whether the bank's progress with preparedness is sufficient. For example, in 2021, Libor exposure and risk assessments and cessation preparedness plans should be at least near completion with appropriate management oversight and reporting in place. Most banks should be working toward resolving replacement rate issues while communicating with affected customers and third parties, as applicable.

Libor Self-Assessment Tool			
Prepared by		**Date**	
Overall comments:			

Exposure Assessment and Planning		
Objective: Is the bank managing Libor cessation from an appropriately detailed transition plan commensurate with the size and complexity of Libor exposures? Keep in mind that even a few contracts (e.g., loans) could pose material reputation risk to a bank and materially affect earnings through legal expenses. Consider in your assessment:	☐ Yes ☐ No	Comments:
1. Did management identify and quantify Libor exposure in all product categories and lines of business, both on- and off-balance-sheet, and asset management activities outside of loans and deposits?	☐ Yes ☐ No	
2. Did management assess all third-party-provided products, services, and systems for Libor exposure?	☐ Yes ☐ No	
3. Has management held discussions with third parties about exposures and the third parties' transition plans and progress?	☐ Yes ☐ No	
4. Has management performed a Libor risk assessment that covers applicable risk areas, such as compliance (including legal and consumer harm), operational, reputation, and strategic?	☐ Yes ☐ No	
5. Did management assess the potential impact(s) to the bank's customers?	☐ Yes ☐ No	
6. Does the bank's preparedness plan include appropriate strategies to inventory, analyze, and assess the risk associated with new and existing contracts? Do strategies include assessing the adequacy of fallback language in new and existing contracts?	☐ Yes ☐ No	
7. Does the bank's preparedness plan consider limiting exposure by discontinuing the origination or purchase of Libor-indexed instruments?	☐ Yes ☐ No	

8. Did management develop appropriate plans to identify, monitor, and resolve system and infrastructure constraints (e.g., the ability of a system to handle compounding in arrears if the bank is electing to use the Secured Overnight Financing Rate (SOFR))?	☐ Yes ☐ No	
9. Did management develop strategies to address third-party risk management issues?	☐ Yes ☐ No	
10. Did management assess the potential financial impacts, both balance sheet and earnings, from Libor transition and developed plans to manage and mitigate the risks accordingly?	☐ Yes ☐ No	
11. Is the formality of the plan commensurate with the size and complexity of the bank's Libor exposures?	☐ Yes ☐ No	
12. Did all relevant parties have input into the plan (e.g., legal, treasury, accounting, compliance, operations/IT)?	☐ Yes ☐ No	
13. Does the plan establish reasonable time frames for completing key activities and assigning accountability for deliverables?	☐ Yes ☐ No	
Objective: Does the bank have appropriate processes in place to implement Libor transition plans?	☐ Yes ☐ No	
1. Has the bank tasked an individual or committee/working group with the responsibility for coordinating and implementing the preparedness plan?	☐ Yes ☐ No	
2. Does management have appropriate communication plans for engaging with affected customers and counterparties?	☐ Yes ☐ No	
3. Does management provide accurate, timely, and complete reports to senior management and the board to monitor progress in implementing the transition plan (e.g., reports that monitor progress and challenges in renegotiating existing contracts)?	☐ Yes ☐ No	
4. Does the board receive Libor transition reports with an appropriate frequency?	☐ Yes ☐ No	
Replacement Rates		
Objective: Did management plan for and identify appropriate replacement rates and spread adjustment methodologies? Keep in mind that the OCC does not endorse a specific Libor replacement rate. Consider in your assessment:	☐ Yes ☐ No	Comments:
1. Has management developed appropriate strategies to identify replacement rates and spread adjustments and modify new and existing contracts, as necessary? Consider in your assessment:	☐ Yes ☐ No	
a. Have strategies addressed replacement rate availability, suitability, and appropriateness?	☐ Yes ☐ No	
b. Have strategies addressed uncertainty of alternative rates market liquidity and availability and management's strategies to mitigate the risks associated with illiquid or unavailable alternative rates markets?	☐ Yes ☐ No	
2. Has management identified appropriate replacement rates and adjustment methodologies that do not result in customer harm or expose the bank to unwarranted compliance and reputation risks?	☐ Yes ☐ No	
3. If management has identified replacement rates, can the bank's systems accommodate the rates?	☐ Yes ☐ No	

Fallback Language		
Objective: Did management plan for and take sufficient actions to ensure the appropriateness of fallback language in both existing contracts and new contracts?	☐ Yes ☐ No	Comments:
1. Did the bank's analysis of fallback language include an assessment of whether the fallback language has clear and executable terms?	☐ Yes ☐ No	
2. Did management assess the appropriateness of contract elements for existing and new contracts?	☐ Yes ☐ No	
3. For derivatives exposures, did management take appropriate steps to determine whether adherence to the International Swaps and Derivatives Association (ISDA)'s new contract provisions is feasible?	☐ Yes ☐ No	
4. Has management identified fallback language for legacy contracts?	☐ Yes ☐ No	
5. Did bank management determine the laws and regulations applicable to contract negotiations and implement controls for compliance during negotiations?	☐ Yes ☐ No	
6. Did management begin negotiations to modify fallback language in legacy contracts? If not, are there plans to do so?	☐ Yes ☐ No	
7. Is management using robust fallback language when executing new contracts?	☐ Yes ☐ No	
Progress and Oversight		
Objective: Is progress toward Libor cessation preparedness sufficient given the size and complexity of risk exposures? Consider in your assessment:	☐ Yes ☐ No	Comments:
1. Is the bank on track in implementing its plans?	☐ Yes ☐ No	
2. Is management implementing a strategy to identify, monitor, resolve, and test system and infrastructure constraints?	☐ Yes ☐ No	
3. Has management begun to make the updates needed to bank policies, processes, personnel, and control systems?	☐ Yes ☐ No	