



10 Steps (plus 2!) to Finding Your Exposure to LIBOR— and What to Do about It

The London Interbank Offered Rate (LIBOR) is a global benchmark interest rate calculated daily, and it is the most widely used benchmark in the capital markets. State and local governments often see this rate in swaps/derivatives products intertwined with municipal debt, and in floating rate notes, lease contracts, bank loans, direct placements, and other types of financings and credit enhancements.

Make a list of all your exposure and track this list throughout 2021. Check off the exposure that has been eliminated. And remember—always call your bond counsel!

Go to www.gfoa.org/libor for more information, including “The Transition Out of LIBOR: What State and Local Governments Should Be Discussing with their Financing Teams.”

1

Swaps and derivatives. Find your exposure in your swap confirmation document: terms of the swap, floating amounts. *Who should you call?* Your municipal/swap advisor and/or bond/swap counsel.

2

Bank loans. Find your exposure in your loan agreement document, where payment and reference rate are discussed. *Who should you call?* Your municipal advisor, bond counsel, and/or bank relationship manager.

3

Floating rate notes. For publicly offered notes, find your exposure in the official statement, inside the over page. For privately placed notes, look in the placement or loan agreement. *Who should you call?* Your municipal advisor and/or bond counsel.

4

Direct placements. Find your exposure in the placement or loan agreement, where payment and reference rate are discussed, in the pricing notice. *Who should you call?* Your municipal advisor, bond counsel, and/or bank relationship manager/broker-dealer.

5

Letters of credit. Find your exposure in the letter of credit and reimbursement agreement. *Who should you call?* Your municipal advisor, bond counsel, and/or bank relationship manager.

6

Purchasing cards. Find your exposure in the purchasing card contract or purchasing card section of your bank services contract. *Who should you call?* Your internal/general counsel.

7

Intergovernmental fund. Find your exposure in your intergovernmental agreement. *Who should you call?* Your municipal advisor and/or general/internal counsel.

8

Lines of credit/revolving credit agreements. Find your exposure in your revolving credit agreement. *Who should you call?* Your municipal advisor, bond counsel, and/or bank relationship manager.

9

Lease contracts. If the contract is held by a vendor, your exposure can be found in the vendor agreement where payment is discussed. If it's held by bank, look in the bank contract where payment is discussed. *Who should you call?* Your bank relationship manager/vendor, bond counsel, and/or general/internal counsel.

10

Variable rate demand bonds/obligations. Find your exposure in the standby bond purchase agreement. *Who should you call?* Your municipal advisor and/or bond counsel.

11

Conduit loans where the government is the lender (such as bond banks). Find your exposure in the conduit loan or bond agreements, where pricing is discussed. *Who should you call?* Your municipal advisor, bond counsel, and/or general/internal counsel.

12

Investment products including guaranteed investment products (GICs). Find your exposure in the investment agreement where LIBOR is referenced. *Who should you call?* Your investment adviser and/or your GIC provider.