

Libor Self-Assessment Tool

Attachment to OCC Bulletin 2021-7,
 “Libor Transition: Self-Assessment Tool for Banks”

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:	<input type="checkbox"/> Yes <input type="checkbox"/> 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?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
2. Did management assess all third-party-provided products, services, and systems for Libor exposure?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
3. Has management held discussions with third parties about exposures and the third parties’ transition plans and progress?	<input type="checkbox"/> Yes <input type="checkbox"/> 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?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
5. Did management assess the potential impact(s) to the bank’s customers?	<input type="checkbox"/> Yes <input type="checkbox"/> 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?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
7. Does the bank’s preparedness plan consider limiting exposure by discontinuing the origination or purchase of Libor-indexed instruments?	<input type="checkbox"/> Yes <input type="checkbox"/> 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)?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
9. Did management develop strategies to address third-party risk management issues?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
10. Did management assess the potential financial impacts, both balance sheet and earnings, from Libor	<input type="checkbox"/> Yes <input type="checkbox"/> No	

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transition and develop plans to manage and mitigate the risks accordingly?		
11. Is the formality of the plan commensurate with the size and complexity of the bank's Libor exposures?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
12. Did all relevant parties have input into the plan (e.g., legal, treasury, accounting, compliance, operations/information technology)?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
13. Does the plan establish reasonable time frames for completing key activities and assigning accountability for deliverables?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Objective: Does the bank have appropriate processes in place to implement Libor transition plans?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
1. Has the management tasked an individual or committee/working group with the responsibility for coordinating and implementing the preparedness plan?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
2. Does management have appropriate communication plans for engaging with affected customers and counterparties?	<input type="checkbox"/> Yes <input type="checkbox"/> 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)?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
4. Does the board receive Libor transition reports with an appropriate frequency?	<input type="checkbox"/> Yes <input type="checkbox"/> 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:	<input type="checkbox"/> Yes <input type="checkbox"/> 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:	<input type="checkbox"/> Yes <input type="checkbox"/> No	
a. Have strategies addressed replacement rate availability, suitability, and appropriateness?	<input type="checkbox"/> Yes <input type="checkbox"/> 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?	<input type="checkbox"/> Yes <input type="checkbox"/> 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?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
3. If management has identified replacement rates, can the bank's systems accommodate the rates?	<input type="checkbox"/> Yes <input type="checkbox"/> No	

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