

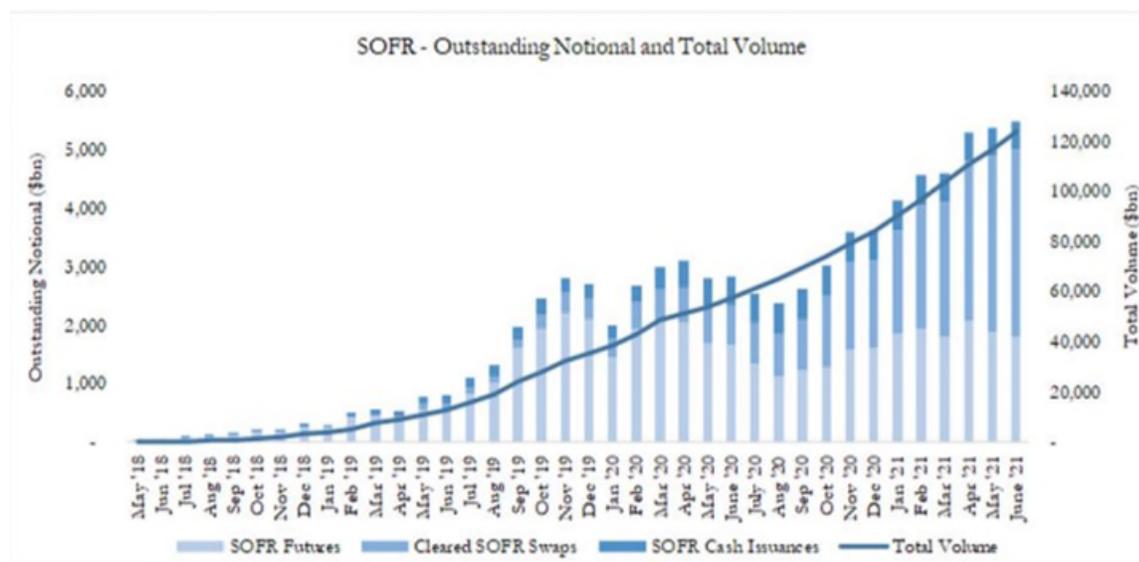
Voting With or Dragging Their Feet (Depending on Your Viewpoint): US Loan Markets Continue to Show Interest in Credit-Sensitive Alternatives to SOFR

Despite recent regulatory “encouragement” to adopt SOFR as “preferred” by the Alternative Reference Rates Committee (ARRC),¹ we continue to observe credit agreements in the US loan markets that use a credit-sensitive alternative rate (CSR) to SOFR.²

In fact, a recent check of public filings showed eight reported credit agreements that used a CSR, specifically the Bloomberg Short-Term Bank Yield Index (BSBY). This represented a significant increase over the two non-SOFR transactions we had reported previously. Of the eight public agreements, three use BSBY as the sole interest rate, four provide for either BSBY loans or Base Rate loans (with BSBY as a component of “Base Rate”), and one uses BSBY as the second step in a benchmark replacement waterfall between Term SOFR and Daily Simple SOFR.

We found no public filings based on Ameribor. The IBA ICE Bank Yield Index and IHS Markit CRITR still are in a test phase only, and AXI is still under development by SOFR Academy, so we would not have expected to find examples of their use.

Of course, SOFR cash issuance (that includes, or even is mostly, bonds rather than loans) remains modest and has not significantly increased since March 2020, as shown in the SOFR Term Rates Factsheet:



Now that the ARRC has [formally recommended](#) the CME Group’s [published term SOFR](#), we will be keeping a close eye on the market’s preference for SOFR versus CSRs.

¹ See, for example, the ARRC factsheet—[ARRC Formally Recommends a Forward-Looking SOFR Term Rate](#) (the “SOFR Term Rates Factsheet”)—published on 29 July 2021 summarizing, among other things, SOFR’s strengths, and [prepared remarks of SEC Chair Gary Gensler](#) before the Financial Stability Oversight Council on 11 June 2021.

² We discussed the credit sensitive rates announced to date, and what we knew about them so far, in our prior blog post, [Eny, Meeny, Miny, Muse: Which LIBOR Alternative Shall I Choose?](#)