THOMPSON HINE

Investment Management Update

July 2020

SEC Announces LIBOR Examination Initiative

The SEC's Office of Compliance and Examinations (OCIE) recently announced an examination initiative focusing on registrant preparedness for the transition away from the London Interbank Offered Rate (LIBOR). OCIE intends to use the examination process to assess whether registrants are prepared for the expected discontinuation of LIBOR and the transition to an alternative reference rate.

OCIE will review whether and how a registrant has evaluated the transition's potential impact on the organization's business activities, operations, services, and customers, clients and/or investors (collectively, "investors"). Specifically, OCIE will review the plans registrants have developed and steps they have taken to prepare for the LIBOR discontinuation, including, as applicable:

- The firm's and investors' exposure to LIBOR-linked contracts that extend past the current expected discontinuation date, including any fallback language incorporated into these contracts.
- The firm's operational readiness, including any enhancements or modifications to systems, controls, processes, and risk or valuation models associated with the transition to a new reference rate or benchmark.
- The firm's disclosures, representations and/or reporting to investors regarding its efforts to address LIBOR discontinuation and the adoption of alternative reference rates.
- The firm's efforts to identify and address potential conflicts of interest associated with the LIBOR discontinuation and the adoption of alternative reference rates.
- Investors' efforts to replace LIBOR with an appropriate alternative reference rate.

Advisers should review their LIBOR transition plans and consider their effectiveness in accordance with OCIE's latest guidance.

FOR MORE INFORMATION

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