LIBOR Cessation and Customer Impact

It has been widely reported that the London Interbank Offered Rate (LIBOR) index will no longer be available after June 30, 2023. In preparing for this industry event, Comerica has been consulting with third parties and participating in industry governance bodies (see the announcement here for the latest industry guidance on LIBOR cessation). Comerica is committed to keeping its colleagues, partners and customers informed as to how a transition from LIBOR to a replacement interest rate will impact them and our bank.

The content below provides general information regarding the LIBOR index and its likely replacement rate. For more specific details, Comerica customers are encouraged to contact their Relationship Manager or Private Banker. As we have for over 170 years, Comerica will partner with its customers to effectuate a successful transition to a new replacement interest rate.

Important Recent Announcements

Customer Notification -- Cessation of One-Week and Two-Month LIBOR: On March 5, 2021, LIBOR's administrator, the ICE Benchmark Administration (the "IBA"), stated that it will cease publishing one-week and two-month LIBOR tenors immediately after Dec. 31, 2021. On March 5, 2021, the UK's Financial Conduct Authority, the regulatory supervisor for the IBA, also confirmed that those LIBOR tenors will either cease to be provided by any administrator or will no longer be representative after Dec. 31, 2021. **Click here** to read Comerica's full customer notification on the cessation of one-week and two-month LIBOR.

What is LIBOR?

LIBOR, also referred to as the LIBOR index or LIBOR rate, is a globally accepted key benchmark interest rate used to help determine the interest rate on a wide variety of financial products including, among others, derivatives, commercial loans, mortgages, student loans, bonds, credit cards and interbank products. In the United States, LIBOR is tied to more than $200 trillion of financial products, including commercial loans and interest rate derivatives. The rate is calculated and published each day by the Intercontinental Exchange (ICE).

Why is LIBOR being discontinued?

LIBOR is being discontinued because it is based on transactions among banks that don't occur as often as they did in prior years, making the index less reliable and credible. Today, LIBOR is based on expert judgements and not market transactions.

What interest rate will replace LIBOR?

The Alternative Reference Rates Committee (ARRC), a group of private-market participants convened by the Federal Reserve Board and the New York Federal Reserve to oversee the LIBOR transition, has recommended the Secured Overnight Financing Rate (SOFR) as the replacement interest rate for LIBOR.

What is SOFR?

SOFR is a broad measure of the cost of borrowing cash overnight, collateralized by Treasury securities. It is calculated as a volume weighted median of transaction level tri-party repurchase agreement (repo) transactions data. It has much liquidity and is very deep, with approximately $1 trillion of trading daily. Each business day at approximately 8 a.m. ET, the Federal Reserve Bank of New York publishes the available SOFR-based indexes on their website.

What is Comerica doing to prepare for the transition from LIBOR to SOFR?

Comerica initiated a LIBOR transition program in January 2019 with a dedicated program office, governance structure and team of colleagues engaged across its enterprise. We are working to update our systems, processes, loan documents and products to prepare for the eventual cessation of LIBOR and ensure a smooth transition to the appropriate SOFR-based index.

Starting sometime in the second half of 2021, but no later than Dec. 31, 2021, Comerica will cease offering LIBOR as a pricing benchmark for new loans, loan renewals or maturity extensions. Additionally, although the publication of certain tenors of LIBOR has been extended to June 30, 2023, Comerica, along with other regulated financial providers, is required to include a pricing benchmark other than LIBOR in all new and amended loans prior to Dec. 31, 2021. An example of this is using an alternative rate such as SOFR as a fallback option.

Will Comerica customers be impacted by the cessation of LIBOR?

Yes. All Comerica customers with existing commercial and consumer loans, leases, residential mortgages, interest rate derivatives, and student loans that incur, or could incur, interest at a LIBOR-based benchmark interest rate will be impacted by the cessation of LIBOR. The LIBOR transition will not impact non-LIBOR based loans. Comerica customers are encouraged to reach out to their Relationship Manager or Private Banker if they have questions.

We will keep customers apprised of SOFR-based and other potential alternate rate options, transition plans and the potential impact of the cessation of LIBOR.

Learn More

The resources below provide additional information regarding the transition from LIBOR.

Alternative Reference Rates Committee (ARRC)
Guide on the Endgame for USD LIBOR
ARRC's SOFR Starter Kit
International Swaps and Derivatives Association: Benchmark Reform and Transition from LIBOR
LIBOR vs. SOFR: Historical Rate Comparison
SOFR Averages and Index Chart
Federal Reserve Bank of New York: About the Secured Overnight Financing Data Rate (SOFR)
Consumer Financial Protection Bureau: LIBOR FAQs
ARRC Benchmark Transition Event FAQs
Customer Notification – Cessation of One-Week and Two-Month LIBOR

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