Comerica Bank

LIBOR Cessation and Customer Impact

The London Interbank Offered Rate (LIBOR) index will no longer be available after June 30, 2023. Additionally, regulatory agencies around the globe made clear that no new or renewed contracts are permitted to use LIBOR after December 31, 2021. In preparing for this industry transition, 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 possible replacement indexes. 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 index.

What is LIBOR?

LIBOR, also referred to as the LIBOR index or LIBOR rate, has been 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 index will replace LIBOR?

There are multiple rate indices that have now become available in the market to replace LIBOR. The loan market is continuing to evolve and has not yet coalesced around one particular rate index as a replacement. One of the current leading alternatives is the Bloomberg Short-term Bank Yield index ("BSBY"). Comerica has decided to adopt the use of BSBY as its primary rate index to replace LIBOR.

What is BSBY?

The Bloomberg Short-term Bank Yield (BSBY) index is a credit sensitive, short-term bank yield index. Developed by Bloomberg, this index is based on transaction-related data, including both actual executed transactions and firm, executable quotes (over $150 billion in transactions).

What is SOFR?

Another index evolving in the market is the Secured Overnight Financing Rate ("SOFR"). SOFR is a broad measure of the cost of borrowing cash overnight in the repo market, collateralized by Treasury securities. It is calculated as a volume weighted median of transaction level tri-party repurchase agreement (repo) transactions data. The SOFR market is very liquid with approximately $1 trillion of trading daily. While BSBY is Comerica's preferred index, Comerica can also support our customers' SOFR-based needs including the use of a Term SOFR interest rate (the preferred SOFR-based index). The SOFR benchmark is typically accompanied by an index spread adjustment which is used to cover the historical gap between LIBOR and SOFR, permitting the bank to maintain a similar yield.

Why is Comerica prioritizing BSBY over other available indices?

BSBY is very similar to LIBOR yet eliminates the major flaws in LIBOR. From an operational perspective, BSBY functions very similar to LIBOR, making it significantly easier for lenders and borrowers to utilize. It also reflects the funding cost across a range of markets more accurately than some of the other available indices. BSBY is IOSCO (International Organization of Securities Commissions) compliant. Since, it is entirely based on actual transactions and firm, executable quotes in the funding markets rather than subjective judgements, it protects against many of the prior issues with LIBOR.

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

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.

In compliance with regulatory guidance, Comerica has commenced the transition away from LIBOR and has ceased offering LIBOR as an available pricing benchmark for new loans, loan renewals or maturity extensions. Even though the publication of certain tenors of LIBOR continue to exist, Comerica, along with other regulated financial providers, was required to utilize a pricing benchmark other than LIBOR in all new and amended loans as of Dec. 31, 2021.

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 continue to keep customers apprised of changes and developments as the market continues to evolve and transition away from LIBOR.

Learn More

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

LIBOR Cessation and Loan/Swap Interest Rate Changes FAQs
Alternative Reference Rates Committee (ARRC)
Guide on the Endgame for USD LIBOR
BSBY Fact Sheet
BSBY Methodology
International Swaps and Derivatives Association: Benchmark Reform and Transition from LIBOR
Historical Rate Comparison
BSBY Index Chart
Consumer Financial Protection Bureau: LIBOR FAQs
ARRC Benchmark Transition Event FAQs

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