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# **LMA Replacement of Screen Rate Clause**

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# Ability to amend the Screen Rate – existing clause

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- This ability has been included in the LMA documentation since 2014
- Optional provision in Clause 35.4 (*Replacement of Screen Rate*):

*Subject to Clause 35.3 (Other exceptions), if any Screen Rate is not available for a currency which can be selected for a Loan, any amendment or waiver which relates to providing for another benchmark rate to apply in relation to that currency in place of that Screen Rate (or which relates to aligning any provision of a Finance Document to the use of that other benchmark rate) may be made with the consent of the Majority Lenders and the Obligors.*

- This only applies where a Screen Rate is unavailable and only to providing for a substitute benchmark (an earlier transition to a new rate and/or changing the margin would need all lender consent)
- Note: IG facilities contain snooze/loose concept

## Ability to amend the Screen Rate – new clause

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- The LMA published a rider on 25 May 2018 with a revised version of the Replacement of Screen Rate clause
- Facilitates further flexibility than the existing clause
  - permits amendments with a lower consent threshold than may otherwise be required in a wider range of circumstances
- Allows amendments to be made to facilitate inclusion of a replacement benchmark which:
  - is formally selected as a replacement for the Screen Rate by the administrator or by an appropriate regulator; or
  - is otherwise accepted by the relevant markets; or
  - is deemed appropriate by the requisite majority of lenders and the obligors
- The clause can either apply at any time or upon a “Screen Rate Replacement Event”
- Drafting is mindful of the draft of the ISDA Benchmark Supplement

## Issues to consider

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- Flags the issue for users of LMA documentation, so that parties must address the approach to potential LIBOR / EURIBOR discontinuation
- It may not be commercially accepted on all deals (where all lender / super majority consent may be requested)
- Practical difficulties with obtaining consent of the requisite lenders and borrower group need to be considered (as they will need to agree to the replacement rate(s))
- Not a complete solution, but provides future flexibility in the absence of current clarity on appropriate replacement rate for loans