July 25, 2019

To: ALL PENNSYLVANIA STATE-CHARTERED, LICENSED, AND REGISTERED FINANCIAL SERVICES INSTITUTIONS AND COMPANIES:

Dear Financial Institutions:

The widely used reference rate known as the London Interbank Offered Rate (LIBOR) is scheduled to go out of existence. The banks that serve on the panel providing the inputs to LIBOR have agreed to support the reference rate only until the end of 2021. Financial institutions that rely on LIBOR need to prepare for this event well in advance of that date.

The Alternative Reference Rates Committee (ARRC) has been meeting since November 2014 to identify a set of alternative US dollar reference rates that are based on transactions from a more robust underlying market than LIBOR. In June 2017, the ARRC identified the secured overnight financing rate (SOFR). SOFR is published by the Federal Reserve Bank of New York in cooperation with the U.S. Office of Financial Research as the reference rate that represents best practice for use in certain new US dollar derivatives and other financial contracts.

While most transactions may be best suited for SOFR, regulators are not mandating the use of SOFR (or any other rate as a substitute for LIBOR). Financial institutions may select any reference rate for use.

Participants in many cash markets using LIBOR as a reference rate need to begin taking risk management actions to manage the transition from LIBOR. This includes doing the following:

1. Identify all on-balance sheet and off-balance sheet references to LIBOR.
2. Determine which items will continue to exist beyond 2021 and ensure that their documentation includes appropriate fallback language for when LIBOR no longer exists.
3. Work with counterparties to amend the necessary documentation.
4. Develop disclosures for affected customers.
While the federal regulatory agencies have not issued supervisory guidance on this topic, the web site of the ARRC (www.newyorkfed.org/arrc) is an excellent source for the latest information on developments in this area. In addition, the FFIEC hosted an industry webinar in December that provides background information. The archived presentation can be viewed by registering at https://www.webcaster4.com/Webcast/Page/583/28297

Sincerely,

/s/
Robin L. Wiessmann
Secretary