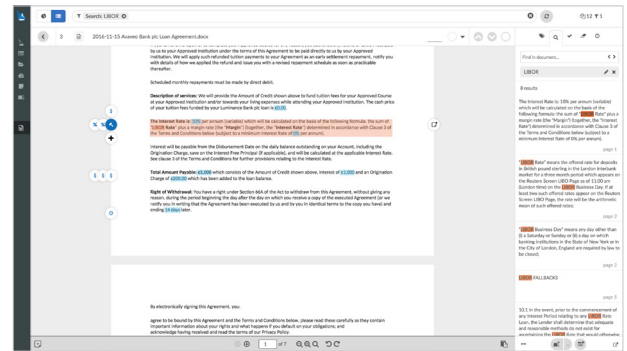


## LUMINANCE DILIGENCE USE CASE

# LIBOR Compliance Review

Regulators across the world have signalled clearly that firms should transition away from the London Interbank Offered Rate (LIBOR) to alternative overnight risk-free rates (RFRs). LIBOR underpins contracts affecting banks, asset managers, insurers and corporates estimated at \$350 trillion globally on a gross notional basis, giving an indication of the importance placed upon a smooth transition between rates. However, LIBOR is so embedded in the day-to-day activities of providers and users of financial services that just identifying a firm's various exposures to the rate is an extremely complex task.



For instance, transitioning to alternative rates will affect how contracts are priced whilst contractual fallback provisions in existing transactions can also put companies at risk of economic value transfer or contract frustration in 2022. Thus it is vital that legal teams are able to quickly identify all documents that do not fit the new regulation, amend LIBOR-related documents maturing after 2021 to comply with the transition and prevent contractual risk and non-compliance.

Given this, many market participants have already embarked on transition programmes but, as regulators like the FCA have pointed out, the pace of transition is not yet fast enough. Ensuring compliance with the transition from LIBOR has the potential to be a time consuming and expensive exercise. However, to avoid reputational, legal and commercial risk later, it is vital that organisations take action now. Employing methods such as sampling pose serious problems, since lawyers need to be sure of compliance in every contract, not just those in a sampled subsection. Underinvesting in LIBOR compliance could cost far more in litigation and reputational damage. Law firms in many countries are therefore turning to Luminance as a solution to LIBOR transition compliance.

Luminance's pioneering core intelligence, the Legal Inference Transformation Engine (LITE), uses a combination of cutting edge supervised and unsupervised machine learning algorithms to read and form an understanding of documents in datasets, no matter how vast. Luminance provides lawyers with an immediate and unparalleled insight into their documents, rapidly analysing all information, labelling key data points and flagging anomalies. Indeed, by using Luminance, lawyers can quickly identify LIBOR-related provisions (for example, provisions pertaining to LIBOR definition; Interest Rate definition; Change in Law and LIBOR fallback) that mature after 2021, easily adding notes with their analysis of LIBOR clauses and highlighting which provisions need to be amended. Within a few clicks, Luminance can create generate a custom report summarising both lawyers' analysis and their recommendations for amendments.



**“Luminance’s technology allows lawyers to be the trusted advisors they trained to become.”**

Steve Cooke, Senior Partner

SLAUGHTER AND MAY

## LUMINANCE DILIGENCE USE CASE

### LIBOR Compliance Review

For lawyers faced with the huge data volumes to pore over during LIBOR reviews, Luminance's machine learning enables them to save significant amounts of time and cost. For one Luminance customer, a global top 100 firm, the huge data volumes involved in LIBOR work made it unprofitable to offer such services when using manual review processes. However, with Luminance they were able to dramatically lower the number of hours required and costs involved to complete the same amount of work. With time savings of 70% per project, the firm was able to offer LIBOR work to clients, thereby opening up a new revenue stream for the firm.

- ✓ LIBOR fallback
- ✓ Change of Law Amendment rights
- ✓ Maturity date
- ✓ LIBOR linked interest date

Once they had reviewed key clauses and made initial notes on the documents, they were able to send the first stage report to the client, outlining their findings in record time and providing their client with important answers quickly. Luminance empowers lawyers to meet the challenges posed by LIBOR transition by gaining enhanced oversight over datasets and ensuring risks are exposed and rapidly mitigated.



**“Companies like Luminance are instrumental in transforming the professional lives of lawyers and are a key component in future proofing the industry.”**

Christina Blacklaws, President of  
the Law Society of England and Wales



# Luminance Workflow Guide

## LIBOR Compliance Review

### Scenario

You are a multinational corporation with operations around the world. With the upcoming regulatory changes that will phase out the London Interbank Offered Rate (LIBOR) in 2021, there is a need to qualify which of your contracts would need to be amended in order to incorporate fallback provisions in case LIBOR is unavailable or to transition to an alternative reference rate. As there are thousands of contracts potentially within the scope of the project, it is vital that the review is detailed and cost effective. The company has determined that a LIBOR compliance review needs to be completed within a couple of months. Given the time pressure and the volume of documents under review, you will be deploying Luminance's market-leading artificial intelligence technology to enhance the team's ability to complete this review.

### Key Benefits

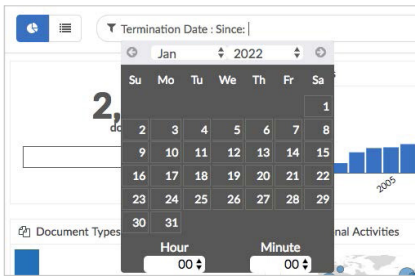
- ✔ Achieve significant time savings in a large-scale LIBOR compliance review by identifying all relevant clauses (e.g. LIBOR Fallback) across a range of documents within hours, not days
- ✔ Quickly compare and contrast all LIBOR-related clauses and terms to determine which clauses are non-compliant
- ✔ Achieve a more comprehensive review with confidence in the results

### Review Process

After the documents have been uploaded into Luminance, the workflow for conducting the review comprises 6 key steps:

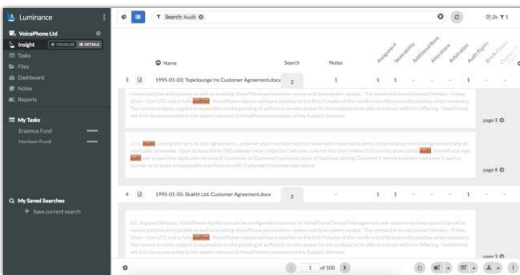
1. Filter to contracts that mature after 2021
2. Identify provisions that reference LIBOR
3. Tag clauses for review
4. Assign documents to team members for further review via a Task
5. Add Notes containing your analysis of clauses
6. Generate a report summarising your analysis and recommendations

## Step 1: Filter to contracts that mature after 2021



Luminance's Insight Visualise provides lawyers with a global overview of the contracts and the ability to drill down into the key clauses and concepts. From Insight Visualise, you can filter to contracts that mature after 2021 by using the Filter Bar to navigate to 'Date' and inputting a date after 2021.

## Step 2: Identify provisions that reference LIBOR

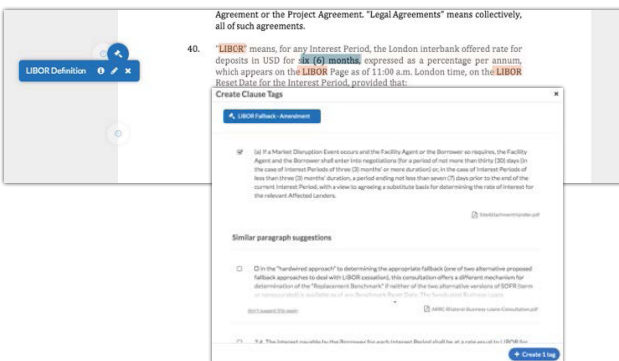


To find provisions that reference LIBOR, simply type relevant keywords into the search bar, for example:

- 'LIBOR'
- 'London Interbank Offered Rate'

Luminance will search across the entire project and present all instances where these keywords appear to the user via the search column in Insight Details. This allows you to rapidly move through the examples, removing the need to open each individual document.

## Step 3: Tag clauses for review



Once a clause or concept is identified, click on the page number to be taken to the relevant paragraph in Document View. When you add a tag to the clause (e.g. 'LIBOR' or 'LIBOR Discontinuation Event'), Luminance will suggest similar paragraphs that exist within the document set that follow similar patterns in language, resulting in conceptually similar meanings. By selecting similar paragraphs, you are speeding up the time it takes to identify the concept across all documents.

**QUICK TIP** | You could tag LIBOR fallback provisions depending on their legal consequences, for example:

### LIBOR Discontinuation Event

clauses that cover temporary unavailability or permanent discontinuation of the rate

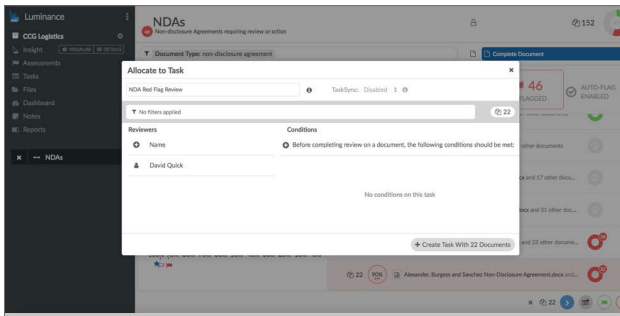
### LIBOR Fallback – Amendment

clauses that set forth an amendment mechanism for negotiating a replacement benchmark in the future (amendment approach)

### LIBOR Fallback – Hardwired

clauses that identify the benchmark upfront (hardwired approach)

## Step 4: Assign documents to team members for further review via a Task



After you have tagged the clauses that reference LIBOR, assign the documents to your team members for review by creating Tasks. Users will receive an email notification informing them they have been allocated a document to review.

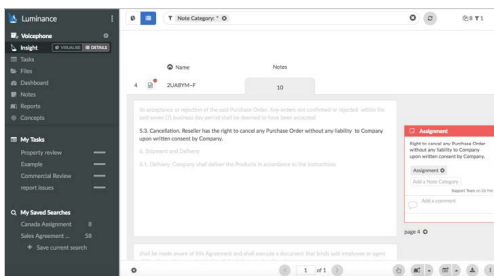
The user reviewing the documents can tick through documents which have been reviewed. The Task page will show an up-to-date view of the status of review, indicating how many documents have been completed.

**QUICK TIP** | To identify documents which do not contain LIBOR fallback provisions, use the Filter Bar to navigate to 'NOT' + 'Contract Clause' + 'LIBOR Fallback'. This can be used in conjunction with keyword searches to further refine results.

**EXAMPLE** | You could sort your contracts into Tasks as such:

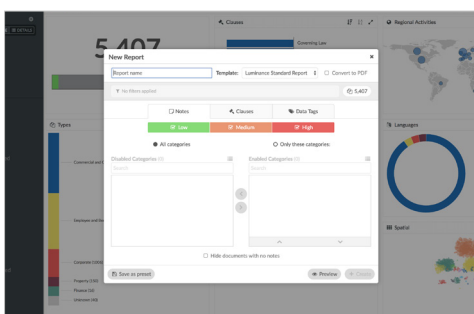
- ✓ **Red Group** | does not contain LIBOR fallback provisions
- ✓ **Yellow Group** | contains LIBOR fallback provisions that require the contract amendments to set the new rates
- ✓ **Green Group** | contains LIBOR fallback provisions that provide for automatic replacement of LIBOR

## Step 5: Add Notes containing your analysis of clauses



After identifying documents that contain relevant clauses, navigate to Insight Details and customise the screen to focus on relevant clauses (e.g. 'LIBOR Definition'). Open each clause and review them across all agreements. Whether you are reviewing the clause from Insight Details or the Document View, write a Note to indicate your analysis of the clause.

## Step 6: Generate a report summarising your analysis and recommendations



To generate a report that summarises your analysis and recommendations, filter to the relevant documents (e.g. Mortgage Agreements) and select the information to include in the report (e.g. LIBOR Fallback clause and Notes of the "To redraft" category). This report can then be downloaded from the 'Reports' section.