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Discontinuation of the BSBY Index*

In November 2023, Bloomberg announced the "permanent cessation" of its Short Term Bank Yield Index (BSBY), starting on November 15, 2024. A Bloomberg spokesperson has indicated that the decision to cease publishing the BSBY index was due to the relatively low usage of the index.

Notably, Bank of America is bracing for a substantial financial impact as it faces a \$1.6 billion hit in its forthcoming earnings report due to the discontinuation of the BSBY index. On January 8, 2024, Bank of America reported it would need to "de-designate" interest rate swaps and reclassify how it would account for them. The impact of BSBY's demise extends beyond Bank of America, with other banks also grappling with the consequences of the index's demise.

Lenders who have loans or interest rate swaps tied to BSBY will need to take steps to transition to another index before the cessation of BSBY. Lenders transitioning from BSBY should consider the terms of the applicable agreements which often include "fallback" language addressing what happens when an index ceases to be published.

For more information regarding the development, or for questions or assistance in transitioning loans and interest rate swaps from the BSBY index, contact Joel Cook at JCook@ABLAWYERS.COM.

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