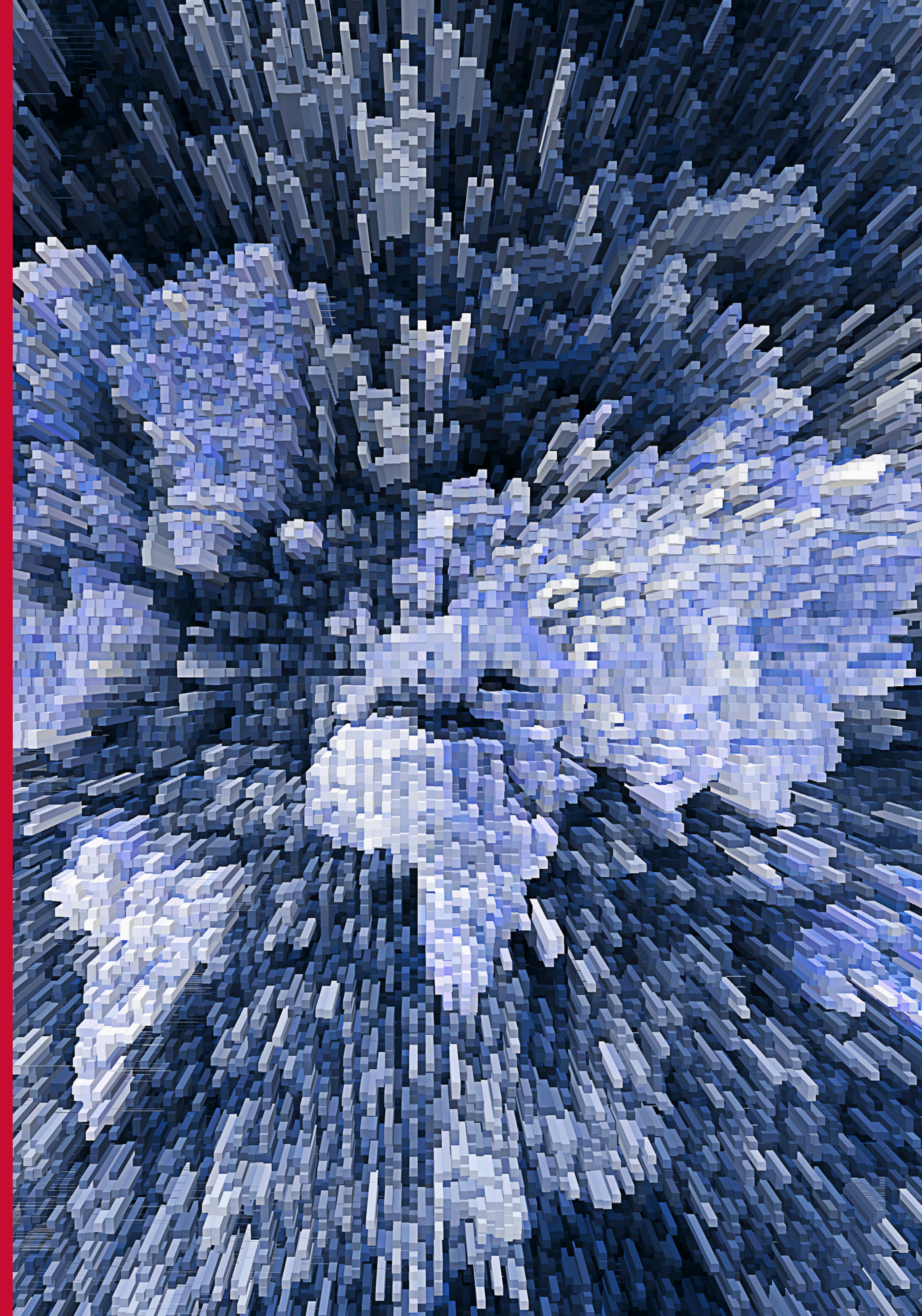




FINANCIAL SERVICES | eBook

# Preparing for LIBOR Expiration: Conquer Document Remediation at Scale





# TABLE OF CONTENTS

The Time to Act Is Now

The Risks Are Real...and Current Preparation Falls Short

Thousands of Documents to Remediate

The Digital Intelligence Approach

Upskill and Upscale

Intelligent Document Review

The LIBOR Solution Is Digital



# THE TIME TO ACT IS NOW

On July 27, 2017, the UK's Financial Conduct Authority announced that the London Interbank Offered Rate (LIBOR), one of the world's most widely used interest rate benchmarks, will be phased out by the end of 2021.

While officially a UK protocol, LIBOR is used as a reference rate by financial institutions around the world, including the United States, and its impending demise has generated calls to action across the global banking and finance industry. The US Federal Housing Finance Agency, to cite just one example, has [announced a comprehensive LIBOR transition plan](#) for Fannie Mae, Freddie Mac, and the Federal Home Loan Banks.

THE LONDON  
INTERBANK  
OFFERED  
RATE (LIBOR)  
WILL BE PHASED OUT  
BY THE END OF  
2021



# THE RISKS ARE REAL... AND CURRENT PREPARATION FALLS SHORT

According to a recent analysis, LIBOR serves as a reference in more than 100 million contracts around the world, representing over \$400 trillion. Two out of every five of these contracts contain no language dealing with cessation of the benchmark and will therefore require remediation prior to LIBOR's expiration.

2 OUT OF EVERY 5

CONTRACTS  
REQUIRE  
REMEDICATION



# RISKS OF MISMANAGING LIBOR TRANSITION



INCORRECT  
PAYMENTS



LOSS OF COMPETITIVE  
ADVANTAGE



POTENTIAL FRAUD  
CHARGES



BUSINESS  
DISRUPTION

While there is no current legal mandate to transition away from the benchmark, regulatory authorities are paying close attention, and scrutiny will increase as the deadline approaches. If financial institutions mismanage the transition — or fail to address the issue altogether — they risk incorrect payments and potential fraud charges as well as facing business disruption and loss of competitive advantage.



Despite the sense of urgency being felt throughout the global finance industry, preparation efforts are falling behind:

[In a recent survey of U.S. financial executives](#), 46 percent described their organizations as “not well prepared” for the expiration of LIBOR, and over one-third have not started organizing a steering committee for the transition.

46%

FINANCIAL EXECUTIVES  
DESCRIBED THEIR  
ORGANIZATIONS AS  
“NOT WELL PREPARED”



# THOUSANDS OF DOCUMENTS TO REMEDIATE

The single biggest challenge for managing the LIBOR transition is the overwhelming corpus of documents needing remediation, compounded by the shortage of high-value knowledge workers needed to review and remediate them. Whatever processes financial institutions may have for tackling this challenge are not built for the magnitude and complexity of this high-stakes remediation.

Organizations could rely on the efforts of attorneys and compliance specialists in tackling this task; however, such an undertaking would require thousands of hours and an astronomical budget, not to mention a high risk of human error. But there is another way...





# How can you address both the urgency of LIBOR remediation and the knowledge worker shortage?

The LIBOR remediation challenge requires a unique solution. Take a different approach by asking these questions first:

Which documents create the greatest exposure for LIBOR transition?

What are the fastest, most-effective ways to remediate that exposure?



# THE DIGITAL INTELLIGENCE APPROACH

Digital Intelligence is an organization's aptitude for assessing and adapting the readiness of its people, content, and processes for sweeping changes such as LIBOR, COVID-19 disruption, and Digital Transformation. It brings together intelligent solutions focused on documents, processes, and the people who work with them to enable organizations to see, analyze, understand, and change the complete real-life processes and documents that keep the business moving.

In short, Digital Intelligence **removes friction from business processes at scale** by applying artificial intelligence (AI) with machine learning (ML) to the task of reading, understanding, and remediating **documents**, automating the **process** for future reiteration, and empowering **people** to focus their efforts on more complex, rewarding tasks.







## UPSKILL AND UPSCALE

The LIBOR transition process presents unprecedented challenges for technology. It demands discovering all the vulnerabilities associated with the process and determining the best path to remediate documents. It requires artificial intelligence to work quickly and produce accurate results at scale. But, LIBOR transition also presents tremendous opportunity for technology to make knowledge workers more effective, because it can allow their skill sets to scale. Instead of reading through documents one by one to identify those impacted, AI can learn to understand these documents in the same way that experts do.



# INTELLIGENT DOCUMENT REVIEW

By applying AI and ML to the complex LIBOR remediation process, Digital Intelligence enables banks and other financial institutions to implement a frictionless process for reviewing hundreds or thousands of documents, extracting LIBOR-related entities, and funneling identified documents to the legal team. With the tedious, time-consuming, error-prone task of sifting through mountains of documents being handled for them, legal specialists can focus 100 percent of their efforts on applying their expertise to the task of remediation.







## DISCOVERY

“Learns” rules for identifying LIBOR exposure

Searches multiple repositories to identify impacted documents

Classifies each document as “safe” or “needs review”

Identifies all impacted processes and human interactions with them

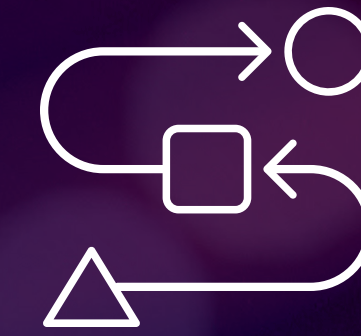


## ANALYSIS AND MONITORING

Extracts LIBOR-related terms from identified documents

Routes documents to legal team for amendment

Monitors progress of the process and adherence to compliance requirements



## CONTRACT LIFECYCLE MANAGEMENT

Continually monitors and audits document remediation process for continuous improvement



# THE LIBOR SOLUTION IS DIGITAL

The impending termination of LIBOR presents the global banking industry with a momentous challenge — and less than two years to address it. Too large and too complex a task for human efforts, LIBOR remediation is a challenge made for Digital Intelligence. By combining the strengths of Content Intelligence and Process Intelligence, these AI-driven solutions enable banks to automate a large portion of the remediation process and scale its expert workforce effectiveness with a high degree of confidence, all while lowering risk of error and saving time and money.





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