



Intellect Capital Cube NLP based Model for LIBOR Contract Analysis

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IBORs (LIBOR, EURIBOR etc.) which serve the key function of price signalling are set to be replaced by Alternative Reference Rates (ARR) by end of 2021. The well entrenched nature of IBORs – USD 200-300 Trillion in exposure – across Loans, Derivatives etc. complicates this transition process. This transition event not only exposes institutions to financial risks (differences between IBOR & ARR) but also to reputational, conduct and legal risks depending on the institution's approach to resolution.

A single bank may have hundreds of thousands of contracts which need scrutiny for IBOR fallback. Machine Learning based solutions can automate ~70% of contract review tasks with a high level of confidence.

Through our NER model, we could facilitate evaluation of LIBOR contracts, thereby simplifying the efforts required in identifying contracts which need attention. A sample summary of a floating rate bond contract, using our model, is shown below:

Contract Analysis

AI - Contract Analysis

Folder Name: Processed

Asset Class: floating rate bonds

PDF Document:

- 1. master note purch agg united stationary.pdf
- 2. 3 GS term sheet page 6.pdf
- 3. 11 General Electric Capital.pdf
- 4. 6 Mondelez page 3.pdf
- 5. 10 BMO.pdf
- 6. morgan stanley prospectus.pdf
- 7. note purchaser farmer mac.pdf
- 8. 180515-hsbc-prospectus-supplement.pdf
- 9. 5 ICIICI Bank page 44.pdf
- 10. 2 barclays pg 7.pdf
- 11. medium term sr note boa.pdf

PDF Details

IBOR Reference - Yes

Sl.No	Category	Recognized Text
1	IBOR	LIBOR
2	Fallback	alternative refer
3	IBOR	London interbank
4	IBOR	three-month LIB
5	IBOR	London interbank
6	Fallback	immediately preceding interest reset
7	IBOR	London Interbank Offered Rate
8	IBOR	EURIBOR
9	Fallback	immediately preceding interest reset period

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Entities - Immediately preceding Interest Reset Period

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rates at which deposits in U.S. dollars having a maturity of three months and in a principal amount equal to an amount that is representative for a single transaction in such market at such time are offered by four major banks in the London interbank market selected by the Company at approximately 11:00 a.m. London time, on such Interest Determination Date to prime banks in the London interbank market. The Company will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, the rate in respect of such Interest Determination Date will be the arithmetic mean of the quotations. If fewer than two quotations are provided, three-month LIBOR in respect of such Interest Determination Date will be the arithmetic mean of the rates quoted by three major banks in New York City, selected by the Company, at approximately 11:00 a.m. New York time, on such Interest Determination Date for loans in U.S. dollars to leading European banks, having a maturity of three months and in a principal amount equal to an amount that is representative for a single transaction in such market at such time. If fewer than three major banks in New York City so selected are quoting such rates as mentioned in the preceding sentence, LIBOR with respect to such Interest Determination Date will be the same as LIBOR in effect for the immediately preceding Interest Reset Period (or, if there was no preceding interest reset period, the rate of interest will be the initial interest rate).

"Reuters LIBOR01 Page" means the display designated as page LIBOR01 on the Reuters 3000 Xtra (or such other page as may replace the Reuters LIBOR01 Page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to the London Interbank Offered Rate for U.S. dollar deposits).

Unless otherwise specified, all percentages resulting from any calculation of the interest rate will be rounded, if necessary, to the nearest one-thousandth of a percentage point, with five ten-thousandths of a percentage point rounded upward (e.g., 9.8765% (or .098765) will be rounded upward to 9.877% (or .09877)), and all U.S. dollar amounts used in or resulting from such calculations will be rounded to

Our NLP based solution helps Financial Institutions to:

1. automate ~70+% of contract review tasks
2. provides a dashboard of Libor specific terms identified for decision analysis
3. mitigate reputational and legal risks which may arise due to Libor Transition

