

November 21, 2019

ARRC Releases Appendix to SOFR Floating Rate Notes Conventions Matrix

The Alternative Reference Rates Committee (ARRC) today released an [Appendix](#) to the Secured Overnight Financing Rate (SOFR) Floating Rate Notes (FRN) [Conventions Matrix](#). The Matrix, which was issued in August 2019, identifies considerations relevant to using SOFR – the ARRC’s recommended alternative to U.S. dollar (USD) LIBOR – in new FRNs and supplements the ARRC’s paper “[A User’s Guide to SOFR](#),” which the ARRC released in April 2019. In conjunction with the Matrix, the ARRC had also released the [SOFR FRNs Comparison Chart](#), which outlines conventions already being used in the market. Today’s [Appendix](#) builds upon these documents and is intended as an additional resource for market participants to consider.

The Appendix includes *term sheets*, which provide examples of how these conventions are used in SOFR-based FRNs and are a useful resource for issuers of (and investors in) compounded averages of SOFR.

The Appendix also includes recommended *fallback language* for SOFR-based FRNs that is based on the ARRC’s extensive market-wide consultation and final recommendations for new [LIBOR-based FRNs](#).

All three documents – the [Matrix](#), [Appendix](#), and [Comparison Chart](#) – were developed to help market participants as they consider issuing or investing in SOFR-based FRNs, and they may be updated from time to time.

About the ARRC

The ARRC is a group of private-market participants convened by the Federal Reserve Board and Federal Reserve Bank of New York in cooperation with the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the Office of Financial Research, the Office of the Comptroller of the Currency, the Commodity Futures Trading Commission, the Securities and Exchange Commission and the U.S. Treasury Department. It was initially convened in 2014 to identify risk-free alternative reference rates for USD LIBOR, identify best practices for contract robustness, and create an implementation plan with metrics of success and a timeline to support an orderly adoption. The ARRC accomplished its first set of objectives and identified the SOFR as the rate that represents best practice for use in certain new USD derivatives and other financial contracts. It also published its [Paced Transition Plan](#), with specific steps and timelines designed to encourage adoption of the SOFR. The ARRC was reconstituted in 2018 with an expanded membership to help to ensure the successful implementation of the [Paced Transition Plan](#), address the increased risk that LIBOR may not exist beyond 2021, and serve as a forum to coordinate and track planning across cash and derivatives products and market participants currently using USD LIBOR.

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