

May 7, 2020

ARRC Releases Best Practices for Vendors' Transition to SOFR and Vendor Readiness Survey Results

The Alternative Reference Rates Committee (ARRC) today released recommended [best practices](#) for technology and operations vendors relevant to the transition from U.S. dollar (USD) LIBOR to the ARRC's recommended alternative, the Secured Overnight Financing Rate (SOFR). The ARRC also released [results](#) from its recent vendor readiness survey on the status of work underway to facilitate the transition.

"The end of LIBOR is on the horizon, and all market participants must prepare to transition to a new model. Vendors in particular play a critical role in making this transition possible, and many have been working adamantly to prepare their systems to perform with SOFR," said Tom Wipf, ARRC Chair and Vice Chairman of Institutional Securities at Morgan Stanley. "We applaud these vendors for their efforts to ensure a successful transition and the readiness of their customers. We encourage all service providers to follow our recommended best practices to support their transition toward providing SOFR-backed products."

Vendor Best Practices

The ARRC released best practices for third-party technology and operations vendors relevant to the transition, including, importantly, those with related upstream and downstream systems (e.g., those for booking, valuation and accounting). The [document](#) calls on these vendors to complete all remaining enhancements to their product offerings that are necessary to support SOFR (including, but not limited to, functionality for compounding in arrears and trading). The ARRC is also finalizing a set of best practices for all market participants that will likely include dates after which no new LIBOR-based activity should be conducted ("sunsets"). The following vendor readiness dates are critical to facilitate these sunsets.

Vendor Readiness Dates

- Floating rate notes: no later than June 30, 2020
- Business loans: no later than September 30, 2020
- Consumer loans: no later than September 30, 2020
- Securitizations: no later than December 31, 2020

The ARRC will be holding sessions with vendors in the coming weeks and will be seeking to understand any contingent requirements they have in order to meet these deadlines. The first of these sessions, focused on securitizations, will take place on May 11. Vendors who are interested in participating in this or future sessions should email the ARRC Secretariat (arrc@ny.frb.org) with "Vendor Sessions" clearly indicated in the subject line.

Vendor Readiness Survey Results

Along with the survey results, the ARRC also released [responses](#) to a [vendor readiness survey](#) that was [issued](#) earlier this year. As noted in its [release](#), the survey asked vendors to respond to several questions designed to help understand and raise awareness about operational changes required to enable a

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smooth transition while also posing another set of questions to serve as a self-assessment tool for software and technology vendors to judge their own readiness.

By sharing their responses to the first part of the survey, vendors have helped to inform market participants of their transition status and key obstacles ahead. Key takeaways from the responses to date include:

- Vendors are well aware of the LIBOR transition and they have assessed the potential effects on their products and services;
- Almost all vendors said that they have a good understanding of the key enhancements needed;
- Vendors reported work on applications at all stages of development; and
- Most vendors have considered backward compatibility and incorporated transition work into upcoming release schedules.

The ARRC continues to take in responses to Section I of the survey and encourages more vendors to respond. Vendors may submit the spreadsheet by email to the ARRC Secretariat (arcc@ny.frb.org). Indicate “Vendor Survey” in the subject line of your email, and provide only one response per institution. The ARRC will periodically refresh the vendor survey results based on new submissions from vendors.

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.

Sign up [here](#) to receive email updates about the ARRC.

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