

May 7, 2020

ARRC Recommended Best Practices for Vendors on Completing the Transition from LIBOR

- The Alternative Reference Committee (“ARRC”) has developed a set of recommended best practices to assist third-party vendors in preparing for the cessation of U.S. dollar (USD) LIBOR by the end of 2021.
- With 20 months left until the potential end to LIBOR, it is important that vendors accelerate their transition efforts. Recognizing this need, the ARRC is for the first-time providing date-based guidance on the near-term steps it believes vendors should take to achieve a successful transition.
- The ARRC continues to discuss additional recommended best practices for other market participants which will be forthcoming.

RECOMMENDED BEST PRACTICES FOR VENDORS

The specific details and timing of this guidance recognize the differences in cash markets and are set out below. The core of the ARRC’ guidance for vendors is:

Third-party technology and operations vendors relevant to the transition – importantly, those with related upstream and downstream systems (e.g., those for booking, valuation and accounting) – should complete all necessary enhancements to support SOFR by the end of this year. Recognizing differences across product types, the ARRC recommends the following vendor readiness dates for particular products:

- 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

Vendors should take active steps to meet the timelines set out in the recommendations below.

A. Floating Rate Notes

Third-party technology and operations vendors relevant to floating rate notes (including those with booking, valuation and accounting systems used for FRNs) should complete all remaining enhancements to support SOFR (including, but not limited to, compounding in arrears and trading) by June 30, 2020.

B. Business Loans

The term “business loans” refers to new issuances, including renewals, of all non-consumer loans with maturities after December 31, 2021.

Third-party technology and operations vendors relevant to business loans (including those with booking, trading, valuation, settlement, and accounting systems used for loans) should complete all necessary enhancements to support SOFR (including but not limited to simple, compounding in arrears, and term SOFR) by September 30, 2020.

C. Consumer Loans

Third-party technology and operations vendors relevant to consumer mortgages should complete all necessary enhancements including the capability to support SOFR by September 30, 2020.

D. Securitizations

Third-party technology and operations vendors relevant to the securitization market (including those with booking, valuation, and accounting systems used for securitizations) should complete all necessary enhancements to support SOFR (including, but not limited to, compounding and trading) by December 31, 2020.